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TAB 192

IN THE UNITED STATES DISTRICT COURT
OF PENNSYLVANIA
WESTERN DIVISION

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF
ALLEGHENY HEALTH, EDUCATION
& RESEARCH FOUNDATION,

Plaintiff,

Vs. Civil Action No. 00-684

PRICEWATERHOUSECOOPERS, LLP,

Defendant.

Videotaped deposition of WILLIAM F.
BUETTNER, called for examination under the
Applicable Rules of Federal Civil Procedure,
taken before me, Michele E. Eddy, a Registered
Professional Reporter and Notary Public in and
for the State of Ohio, pursuant to notice and
stipulations of counsel, at the offices of
Jones Day, 500 Grant Street, Suite 3100,
Pittsburgh, Pennsylvania, on Tuesday, the 22nd
day of June, 2004, at 9:00 a.m.

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RENNILLO REPORTING SERVICES
A LEGALINK AFFILIATE

William F. Buettner

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<p style="text-align: right;">Page 45</p> <p>1 A. Do you want me to -- I need a 2 little help in terms of your question. In 3 terms of what I knew at the time I wrote this 4 or what -- 5 Q. Yes. 10:01:35 6 A. -- I knew by the time I completed 7 the '96 audit? 8 Q. No, what you knew when you wrote 9 this when addressing this to the audit 10 committee. 10:01:44 11 A. Well, the centralization process -- 12 my recollection is in 1995 the process was 13 accelerated because information was released to 14 the staff in the eastern region prematurely. 15 As a result, the folks who were 10:02:05 16 processing the bills, if you will, in the 17 Philadelphia area realized that they were going 18 to lose their jobs. They began to leave, began 19 to look for other jobs. 20 It became very difficult then for 10:02:23 21 AHERF to get bills out the door without being 22 staffed up. 23 So the centralization process was 24 accelerated. AHERF didn't have the people in 25 Pittsburgh to take over that responsibility 10:02:40</p>	<p style="text-align: right;">Page 47</p> <p>1 of billers caused some problems, that there was 2 also some significant training issue needs that 3 had to be met in the east and that the 4 registration process within the east needed 5 some significant work, patient registration. 10:04:07 6 Q. Mr. Buettner, could you turn with 7 me to the attachment which starts at the page 8 that has the ending Bates digits 239? Is this 9 attachment essentially what C&L folks referred 10 to? When I say C&L, I mean Coopers & Lybrand. 10:04:42 11 Do we understand each other there? 12 A. Yes. 13 Q. Referred to as an audit plan? 14 A. Well, it's an audit plan to be 15 reviewed with the audit committee, yes. 10:04:55 16 Q. I'm going to ask you to just tell 17 me what was meant by -- is this a document you 18 would have drafted or someone on your staff 19 would have drafted? 20 A. The managers would have drafted 10:05:08 21 this document. I would have reviewed it, and 22 we would have reached some sort of conclusion 23 on the content after that review. 24 Q. Is it the same drafting protocol 25 that would have been followed for the cover 10:05:20</p>
<p style="text-align: right;">Page 46</p> <p>1 yet. Folks in Phila were leaving. They 2 brought in a firm to try to outsource, if you 3 will, that process, billing process. 4 Apparently that did not work very well. 5 During that period of time, they 10:02:58 6 were also going into the various hospitals 7 within the eastern region and planning on some 8 sort of systems conversion from various systems 9 to SMS or an upgrade to the SMS system. 10 So you had multiple factors that 10:03:14 11 were influencing the organization's ability to 12 get a bill out the door. That was my 13 understanding of the issues. 14 Q. So this is your understanding going 15 into the '96 audit? 10:03:28 16 A. Yes, yes. 17 Q. Now, you said that it may have -- 18 you may have had a different understanding 19 after the '96 audit was essentially completed. 20 What was that understanding of the 10:03:37 21 problems, if it's different? 22 A. Well, after we completed our audit 23 in '96, it became clear to, at least from our 24 work, that while the system upgrades could 25 cause some consternation and obviously the lack 10:03:53</p>	<p style="text-align: right;">Page 48</p> <p>1 memo? 2 A. Yes. 3 Q. Do you have any idea today what is 4 meant by the second arrow on the second page 5 there which reads, "Provide management with 10:05:30 6 value-added services"? What were value-added 7 services in Coopers & Lybrand speak or at least 8 Coopers & Lybrand speak as it was intended to 9 be read by an audit committee? 10 A. Well, the first item would be the 10:05:43 11 issuance of some sort of what we would call 12 management comment letter. In other words, it 13 would be suggestions or ideas where the 14 organization could improve its system of 15 internal controls or its processing of whatever 10:05:58 16 they were processing in a particular area. 17 That would be what we would view as a byproduct 18 of our audit procedures. 19 Q. Anything else that that term means 20 to you, value-added services? 10:06:21 21 A. Well, that could vary upon the 22 needs of a particular organization and the 23 resources that the firms would have. We would 24 be on the look-out to see if there were other 25 things that we could provide that would be 10:06:26</p>

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<p style="text-align: right;">Page 49</p> <p>1 meaningful to the organization.</p> <p>2 Q. It doesn't involve consulting</p> <p>3 services?</p> <p>4 A. No, not from an auditing</p> <p>5 perspective. 10:06:36</p> <p>6 Q. Let me ask you to flip to the page</p> <p>7 that ends in the digits 241. Do you see the</p> <p>8 patient receivables slash third-party is listed</p> <p>9 under the category higher risk assessment?</p> <p>10 A. Yes. 10:06:58</p> <p>11 Q. Why would that be the case?</p> <p>12 A. Well, within a healthcare</p> <p>13 organization, we viewed, as a matter of course,</p> <p>14 billing systems as well as dealing with the</p> <p>15 third parties to be an area of higher risk. 10:07:15</p> <p>16 I think as you mentioned earlier in</p> <p>17 your questioning of me, receivables were an</p> <p>18 important area of a healthcare provider, and</p> <p>19 certainly we reviewed it as being a very</p> <p>20 important area. 10:07:32</p> <p>21 Q. I'm sorry, go ahead.</p> <p>22 A. And there are inherent issues in</p> <p>23 that process. I'm not talking control issues</p> <p>24 or things of that nature. Just that they --</p> <p>25 the complexity of the area makes it just a 10:07:45</p>	<p style="text-align: right;">Page 51</p> <p>1 that mean to you?</p> <p>2 A. We're going to increase the</p> <p>3 accounts receivable review and testing. We're</p> <p>4 going to do things in 1996 that we may not have</p> <p>5 done in 1995 or we may not do normally. 10:09:10</p> <p>6 Q. When do you believe, if you have</p> <p>7 any recall today, you put these notes on this</p> <p>8 document, that is the notes on the memo and the</p> <p>9 notes on the plan?</p> <p>10 A. I can't answer that specifically, 10:09:23</p> <p>11 but I know some of the notes would have been</p> <p>12 there to help me in my presentation or</p> <p>13 discussion with the audit committee. I can't</p> <p>14 tell you if all of them would have been there</p> <p>15 at that point in time. I just can't remember. 10:09:39</p> <p>16 Q. I know there are several notes,</p> <p>17 you'll note lots of figures in the latter few</p> <p>18 pages of the document.</p> <p>19 Are those figures in your</p> <p>20 handwriting as well, which start at least on 10:09:49</p> <p>21 page 255?</p> <p>22 A. Yes.</p> <p>23 Q. Do you have any doubt, though, that</p> <p>24 these notes were written within a few days or a</p> <p>25 week or two of April 8, 1996 on the memo and on 10:10:02</p>
<p style="text-align: right;">Page 50</p> <p>1 difficult area for management to manage. So we</p> <p>2 provided a higher risk assessment to that area.</p> <p>3 Q. When you say risk, what do you mean</p> <p>4 by risk of what? What do you mean by that,</p> <p>5 risk of what? 10:08:02</p> <p>6 A. In other words, there's a greater</p> <p>7 risk of what we considered to be an error or a</p> <p>8 material misstatement in that error because of</p> <p>9 the complexity, because of the environment.</p> <p>10 Q. You've noted in handwriting -- I 10:08:19</p> <p>11 believe the handwriting here is yours as well</p> <p>12 on this page?</p> <p>13 A. Yes, I believe so.</p> <p>14 Q. Towards the bottom of the page on</p> <p>15 the right-hand side, I think I read your 10:08:31</p> <p>16 writing to say, "Increase A slash R, review</p> <p>17 slash testing."</p> <p>18 Have I done a capable job there?</p> <p>19 A. Yes.</p> <p>20 Q. What did you mean, if you can 10:08:43</p> <p>21 recall, to convey by writing that note on the</p> <p>22 document?</p> <p>23 A. I'm not sure I understand your</p> <p>24 question, sir.</p> <p>25 Q. What did that mean -- what does 10:08:56</p>	<p style="text-align: right;">Page 52</p> <p>1 the plan?</p> <p>2 A. They would have been written within</p> <p>3 that time period. I can't tell you if it's a</p> <p>4 week or a few days from April 8th, but within</p> <p>5 that time period, yes. 10:10:21</p> <p>6 Q. Thank you.</p> <p>7 Do you recall different things that</p> <p>8 Coopers & Lybrand did or your engagement team</p> <p>9 did in the area of testing accounts receivables</p> <p>10 in '96 that had not been done in prior years? 10:10:30</p> <p>11 A. Yes.</p> <p>12 Q. What do you recall differently?</p> <p>13 What do you recall that was different that had</p> <p>14 been -- that was done in '96?</p> <p>15 A. Well, we brought in -- let me -- 10:10:43</p> <p>16 let me preface it by indicating I met with</p> <p>17 management and indicated we wanted to do some</p> <p>18 additional testing in certain areas. They</p> <p>19 agreed.</p> <p>20 Q. Who at management? 10:11:00</p> <p>21 A. David McConnell.</p> <p>22 Q. What did you indicate to him that</p> <p>23 you would do differently --</p> <p>24 A. Well, I --</p> <p>25 Q. -- if you told him? 10:11:15</p>

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<p style="text-align: right;">Page 53</p> <p>1 A. Pardon me, if I --</p> <p>2 Q. If you told him specifically what</p> <p>3 you were planning to do differently.</p> <p>4 A. Yes, I told him what I wanted to</p> <p>5 do. It was basically that I felt that a large 10:11:28</p> <p>6 sample of review of a sample of bills was</p> <p>7 necessary so that we could gain a better</p> <p>8 understanding of why bills were not getting out</p> <p>9 the door.</p> <p>10 Q. When you review a sample of bills, 10:11:39</p> <p>11 what do you mean?</p> <p>12 A. Well, review bills from the time</p> <p>13 that the patient registered in the facility to</p> <p>14 the time that the bill went out and eventually</p> <p>15 the money was collected by the organization. 10:11:50</p> <p>16 Q. Do you mean actually looking at</p> <p>17 paper or electronic copies of bills or looking</p> <p>18 at the billing process?</p> <p>19 A. The billing process.</p> <p>20 Q. Did you tell Mr. McConnell any 10:12:01</p> <p>21 other new testing that you planned to do in the</p> <p>22 accounts receivable area for '96?</p> <p>23 A. We indicated we were going to bring</p> <p>24 in specialists to perform that billing process</p> <p>25 review. 10:12:18</p>	<p style="text-align: right;">Page 55</p> <p>1 MR. JONES: Thank you.</p> <p>2 Why don't we take our first break</p> <p>3 today here. I think we're going to try to find</p> <p>4 a conference room for you guys to chitchat in</p> <p>5 if we can. I'll look into that if we haven't 10:13:29</p> <p>6 already. Thank you.</p> <p>7 THE VIDEOGRAPHER: We're going off</p> <p>8 the record at 10:12.</p> <p>9 (Recess had.)</p> <p>10 THE VIDEOGRAPHER: We're back on 10:31:08</p> <p>11 the record at 10:31.</p> <p>12 Q. Mr. Buettner, when we broke, we</p> <p>13 were speaking of a contact or a meeting you had</p> <p>14 with Mr. McConnell about 1996 audit matters</p> <p>15 that were apparently on your mind. 10:31:18</p> <p>16 Do you recall that's where we</p> <p>17 broke, essentially?</p> <p>18 A. Yes.</p> <p>19 Q. My question is now a more general</p> <p>20 one. Think about the time period, if you will, 10:31:29</p> <p>21 between 1995 audit work and 1998 audit work</p> <p>22 that I know was started and I understand was</p> <p>23 not completed. But was Mr. McConnell your,</p> <p>24 that is Bill Buettner's, primary contact at</p> <p>25 AHERF during those times? 10:31:41</p>
<p style="text-align: right;">Page 54</p> <p>1 Q. This was a billing process review</p> <p>2 that was ultimately undertaken by a fellow</p> <p>3 named Norb Kaliszewski?</p> <p>4 A. Yes, and other individuals within</p> <p>5 in his group. They specialized in what I would 10:12:35</p> <p>6 call back-office hospital operations. So</p> <p>7 basically their work on a day in and day out</p> <p>8 basis was to look at billing processes and to</p> <p>9 determine if bills were getting out the door</p> <p>10 right or what type of problems an organization 10:12:44</p> <p>11 may be running into.</p> <p>12 Q. Did you tell Mr. McConnell any</p> <p>13 other new testing was to be done?</p> <p>14 A. That was the primary area.</p> <p>15 Q. Can you think of anything else as 10:12:52</p> <p>16 you sit here today?</p> <p>17 A. No, I cannot.</p> <p>18 Q. Can you think of anything else</p> <p>19 different that you did in '96, whether or not</p> <p>20 you told Mr. McConnell, as you sit here today? 10:12:58</p> <p>21 A. No. I believe that would be the</p> <p>22 most significant change. I mean, there may</p> <p>23 have been other minor modifications because</p> <p>24 facts and circumstances would require it, but</p> <p>25 that was the principal change. 10:13:19</p>	<p style="text-align: right;">Page 56</p> <p>1 A. It would vary depending on the</p> <p>2 agenda item, if you will. In terms of audit</p> <p>3 work, I would say that he was not the primary</p> <p>4 contact. That was his decision. He wanted us</p> <p>5 to work either through -- if you're going to 10:32:06</p> <p>6 cover the entire time period, I guess it would</p> <p>7 be Spargo and Cancelmi, Dionisio or Adamczak.</p> <p>8 Before that group there was a fellow by the</p> <p>9 name of Joe Donnelly, but I think Joe was gone</p> <p>10 by '95. 10:32:24</p> <p>11 Q. So in terms of your personal</p> <p>12 interactions on audit matters, you would in the</p> <p>13 first instance speak with either Mr. Spargo,</p> <p>14 Mr. Adamczak, Mr. Cancelmi or Mr. Dionisio?</p> <p>15 A. Yes, depending on the item to be 10:32:36</p> <p>16 discussed, yes.</p> <p>17 Q. Then in terms of any other, what</p> <p>18 you referred to as agenda item, would Mr.</p> <p>19 McConnell make the list?</p> <p>20 A. Yes, but -- 10:32:49</p> <p>21 Q. In what context?</p> <p>22 A. It would depend on, again, the</p> <p>23 item.</p> <p>24 Q. Let's do it this way, which may</p> <p>25 make it easier for both of us. 10:32:55</p>

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<p style="text-align: right;">Page 57</p> <p>1 For what matters did you consider 2 Mr. McConnell your primary contact? 3 A. Well, general business matters, 4 items that I considered to be important enough, 5 even if from an audit context that I would want 10:33:11 6 to get his input or okay, or special projects 7 that we were brought in to assist AHERF 8 management. And if I felt that his input was 9 necessary, I would seek him out. 10 Q. What do you mean to refer to when 10:33:33 11 you say general business matters? 12 A. Well, just an understanding of the 13 direction of the organization. If the 14 organization's going through an acquisition, 15 for instance, we would want to -- I would want 10:33:50 16 to meet with him just to understand the 17 transaction, the steps that they were 18 undertaking to facilitate the transaction, the 19 acquisition. 20 Q. Do you recall meeting with him on 10:34:05 21 those kinds of topics, hospital acquisitions or 22 physician practice acquisitions in particular? 23 A. More or less a hospital 24 acquisition. I remember talking to him one 25 time about physician acquisitions, but 10:34:17</p>	<p style="text-align: right;">Page 59</p> <p>1 better of two or three meetings or were you 2 meeting throughout the year, or can you put an 3 estimate on it for me? 4 A. We would meet throughout the year. 5 It would be luncheon meetings or breakfast 10:35:38 6 meetings, perhaps once every six weeks or 7 something along those lines. Sometimes he 8 would call the meeting or arrange for it. 9 Other times I would. There may be occasions 10 where the tax partner from Coopers & Lybrand, a 10:36:01 11 fellow by the name of Larry Blair, felt it 12 would be worthwhile for him to meet with Mr. 13 McConnell or somebody over at AHERF for a 14 particular reason. So Larry would arrange the 15 meetings. 10:36:11 16 Once every six weeks, once every 17 eight weeks, maybe once every four weeks 18 depending on the subject matter. But it would 19 be more than two or three. But that time 20 interval that I've given you is probably a fair 10:36:23 21 assessment of the number of times we met. 22 Q. Did you meet with Mr. McConnell as 23 a matter of routine at the beginning and the 24 end of each audit cycle from the time -- from 25 the preliminary field work to the final work 10:36:36</p>
<p style="text-align: right;">Page 58</p> <p>1 generally it would be hospital acquisitions or 2 debt refinancings or things of that nature. 3 Q. What, if anything, or any matter 4 would you consider Mr. Abdelhak to have been 5 during this same time period your primary 10:34:40 6 contact, and you understood Mr. Abdelhak, 7 Sherif I believe is his first name, to have 8 been the chief financial officer of AHERF, is 9 that right? 10 A. Yes, that's correct. 10:34:49 11 Q. Was there any matter that you 12 considered him to be the primary contact on 13 during this time period? 14 A. Well, if there were critical 15 issues, business matters that we ran into, and 10:34:57 16 either I couldn't get in touch with Mr. 17 McConnell or Mr. McConnell would not take my 18 concerns seriously, let's say, I may go to 19 Sherif. Again, general -- what I would 20 consider to be general business matters and not 10:35:14 21 items of detailed audit testing or detailed 22 audit procedures. 23 Q. How frequently did you meet with 24 either -- with Mr. McConnell during any audit 25 year '95 to '98, your best estimate? Was it a 10:35:27</p>	<p style="text-align: right;">Page 60</p> <p>1 during this same '95 to '98 time period? 2 A. Probably -- yes and no. I mean, at 3 the end we would attempt to meet with him or 4 have a conference call or go over what we 5 considered to be issues. 10:36:53 6 Planning was -- we attempted to 7 cover that, if you will, during these periodic 8 meetings that I just mentioned. I also believe 9 he would have gotten an advanced copy as well 10 as Mr. Abdelhak of our report that would go to 10:37:08 11 the audit committee so that they would be aware 12 of where we were coming from or areas of 13 concern. 14 Q. Is it also true that he would 15 routinely during this '95 to '98 time period 10:37:20 16 join you at audit committee meetings when they 17 were held, Mr. McConnell, that is? 18 A. Yes. 19 Q. So you would have the opportunity 20 to chat with him shortly before, shortly after 10:37:30 21 those meetings? 22 A. Yes, yes. 23 Q. Do you recall how frequently, if it 24 was more than a time or two, that you met with 25 Mr. Abdelhak during the '95 to '98 time period? 10:37:40</p>

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<p style="text-align: right;">Page 81</p> <p>1 with McConnell, then I would -- and I couldn't 2 be there, then I would call McConnell, say I 3 can't be there, I'm going to send Mark Kirstein 4 over to go over this situation with you. 5 I'd be shocked if he says I 11:02:27 6 wouldn't meet with the person. He just didn't 7 strike me as that type of individual. 8 Q. You never learned that, that he 9 said I won't meet with Mark Kirstein? 10 A. I never had an instance where he 11:02:40 11 said he would not meet with anyone. 12 Q. Did you believe Mr. McConnell to be 13 competent -- a competent CFO or chief financial 14 officer during the time you worked with him? 15 MR. RYAN: You're asking what he 11:02:53 16 felt back then? 17 MR. JONES: Yes. 18 Q. Did you believe -- 19 A. At the time? 20 Q. Let me try the question over again. 11:02:57 21 Did you believe during the time you 22 worked on AHERF audits that Mr. McConnell was a 23 competent CFO, chief financial officer? 24 A. Yes, I felt that like everybody 25 else he had strengths and he had weaknesses. 11:03:09</p>	<p style="text-align: right;">Page 83</p> <p>1 question his integrity at any time before '95? 2 A. Before '95? 3 Q. Yes. 4 A. No, sir. 5 Q. Have you changed your view of Mr. 11:04:35 6 McConnell's competence since you stopped 7 working on AHERF matters? 8 A. Yes. I'm not sure if it's his 9 competence or his ability to convince other 10 individuals within the organization that change 11:04:52 11 was needed. He appeared to understand the 12 issues that they were facing, but nothing got 13 done. So, you know, intellectually I think he 14 understood what had to be done, but somehow 15 things didn't seem to get done. 11:05:09 16 Q. Those things that you have 17 categorized I think in your answer as required 18 or needed change, what would they be? 19 A. They would be items -- some of the 20 items we included in our management letter in 11:05:23 21 '97, cost containment or cost reduction, if you 22 will, some sort of revenue enhancement. 23 Smaller things such as the registration process 24 in the east was still undergoing reengineering 25 a year and a half after we brought it to his 11:05:44</p>
<p style="text-align: right;">Page 82</p> <p>1 He was what people want to call a big picture 2 guy or global guy. I believe that was a 3 strength in a way. 4 He was not a detailed accountant, 5 so he placed reliance on people below him. 11:03:26 6 Historically I felt that he had the knack for 7 bringing people in who had -- who were able to 8 complement his weaknesses, if you will. 9 Q. Those kinds of people were who? 10 A. A Joe Donnelly or a Joe Dionisio, a 11:03:45 11 Mike Martin, things of that nature. He seemed 12 to surround himself with people who were fairly 13 bright people. 14 Q. Did you have any reason to question 15 Mr. McConnell's integrity during the time you 11:04:00 16 worked on AHERF's audits? 17 MR. RYAN: You're asking him had 18 reason back then? 19 MR. JONES: During the time he 20 worked on AHERF audits. 11:04:09 21 A. At the time we worked on the audits 22 from '95 through '98, no, no. 23 Q. Did you have -- go ahead. 24 A. Things have changed since then. 25 Q. Did you have any reason to doubt or 11:04:21</p>	<p style="text-align: right;">Page 84</p> <p>1 attention. Things of that nature. 2 Q. I think you intimated in one of 3 your more recent responses that your view of 4 his integrity has changed since you left AHERF 5 audit work. 11:06:01 6 Is that the case? 7 A. Yes, it is. 8 Q. How has your view changed and why? 9 A. There were certain pieces of 10 information that I believe he had. I can't 11:06:14 11 prove them for certain, but I believe he had 12 information that he didn't share with us. That 13 would have changed our judgments. 14 Q. During your audit work? 15 A. Yes. Yes, sir. 11:06:25 16 Q. What are those pieces of 17 information that you believe he may have had? 18 A. Well, with regards to the 19 accounting for certain endowments, apparently 20 there was some sort of disagreement with the 11:06:36 21 people at Mellon Bank in terms of either the 22 actual interpretation of the trust indenture or 23 the existence of that indenture. We didn't 24 learn about that until I guess June of '98. 25 I don't know if he knew about it 11:06:57</p>

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<p style="text-align: right;">Page 85</p> <p>1 later, but apparently -- or earlier, I mean, 2 but apparently there was a letter written two 3 years earlier that no one ever shared with us. 4 Q. How did -- strike that. 5 Any other piece of information that 11:07:09 6 you believe he may have had but did not share 7 with you in a timely way? 8 A. There may have been some accounting 9 in the acquisition area that to this day I 10 still don't totally understand. I don't know 11:07:21 11 if he knew about it. But if he did, I wish he 12 would have told me. 13 Q. The accounting in the acquisition 14 area, does this have to do with the certain 15 reserve transfers beyond the first 50 million 11:07:35 16 of reserve transfers that were moved from the 17 Graduate hospitals or the Graduate sets of 18 hospitals to the Delaware Valley Obligated 19 Group hospitals in 1997? 20 A. Yes, it would be the transfers 11:07:48 21 beyond the 50 million dollars that they had 22 disclosed to us. 23 Q. When I say the Graduate hospitals, 24 you know I mean more than one; it's the set of 25 hospitals from the former Graduate Health 11:08:03</p>	<p style="text-align: right;">Page 87</p> <p>1 to think back with me about the 1996 audit work 2 in connection with perhaps Exhibit 4458. 3 Do you recall that the audit risk 4 assigned to accounts receivable by your 5 engagement team for the 1996 audit was below 11:09:16 6 max? 7 A. You're talking about 1996, sir? 8 Q. Yes. 9 A. I can't remember that, but that's a 10 possibility. 11:09:29 11 Q. Do you recall being in any 12 conversations about what the audit risk ought 13 to be for '96 and a determination being made? 14 MR. RYAN: You mean for the A/R? 15 Q. Yes, for the A/R area. 11:09:46 16 A. You're talking again for '96? 17 Q. Yes. 18 A. Yes, we would have meetings. I 19 would have meetings with the engagement team 20 during the planning process of the audit to 11:09:59 21 determine how we're going to approach our audit 22 work. 23 One item that we would have to 24 consider is the reliance we would place on 25 controls and the level of other testing we 11:10:10</p>
<p style="text-align: right;">Page 86</p> <p>1 System that were acquired sometime in 1997 by 2 AHERF? 3 A. Yes. 4 Q. We understand each other when I 5 talk about that? 11:08:06 6 A. Yes. 7 Q. When I say the Delaware Valley 8 Obligated Group hospitals, I'm referring to a 9 set of hospitals that AHERF had owned at least 10 the year before that were also in the Greater 11:08:14 11 Philadelphia region but had -- were reported in 12 different ways and were obligees or obligors or 13 at least had different debt instruments. You 14 understand that? 15 A. Yes. 11:08:28 16 Q. Thank you. I'm glad. 17 Anything else that you believe he 18 may have not shared with you in a timely way 19 that has caused you now I understand to 20 question his integrity, is that what you mean 11:08:37 21 to say when you say your view has changed? 22 A. Yes. 23 Q. Is there anything else? 24 A. Those are the two principal items. 25 Q. Let me ask you, Mr. Buettner, now 11:08:59</p>	<p style="text-align: right;">Page 88</p> <p>1 would do. So, yes, clearly we had those 2 discussions. I just don't recall any details 3 of the discussions. 4 Q. Do you recall the audit risk 5 assigned to accounts receivable for AHERF 11:10:23 6 audits or any of its affiliates being at below 7 max in any fiscal year or for any fiscal year? 8 A. I'm sure that there were some areas 9 that were either low and other areas that were 10 below max. That is a designation as to the 11:10:43 11 level of reliance we would place on controls. 12 If an area was identified as low, 13 that meant we would rely -- place significant 14 reliance on internal controls. 15 If it was below the max, we would 11:11:02 16 place some reliance on internal controls and 17 some on other areas of the testing, if you 18 will. 19 Q. You just can't recall today whether 20 either the '96 audit or the '97 audit or 11:11:12 21 whether the risk assessment for A/R was below 22 max, is that fair? 23 A. I cannot -- yes. And it's just not 24 A/R. It would be the revenue system that would 25 include A/R. 11:11:23</p>

22 (Pages 85 to 88)

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1 Q. Thank you.
 2 I think we understand each other,
 3 but to make sure, when I use the term A/R or A
 4 slash R from time to time today, I have again
 5 gleaned that from work papers or from 11:11:31
 6 testimony. It's not something I typically used
 7 before in my conversation.
 8 But you understood -- understand me
 9 to mean accounts receivable when I say that?
 10 A. Yes. 11:11:42
 11 Q. I'll understand you the same way.
 12 A. That's fine.
 13 Q. Thanks.
 14 Let's ask you to look at another
 15 exhibit for us. While we're pulling that, 11:11:51
 16 would you tell me who you recall being involved
 17 principally in the audit for accounts
 18 receivable for the 1996 audit on your
 19 engagement team, that is?
 20 A. I would imagine it would be 11:12:13
 21 Kirstein, I guess Brian Christian. I'm not
 22 sure if Amy Frazier had any involvement. I
 23 just can't remember.
 24 - - - - -
 25 (Thereupon, Deposition

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1 Exhibit 4459 was marked for
 2 purposes of identification.)
 3 - - - - -
 4 Q. Mr. Buettner, I've now handed you
 5 Exhibit 4459. I'm going to ask you to take a 11:12:31
 6 look at this fairly brief two-page document and
 7 tell me if you recognize it and whether it
 8 bears your handwriting.
 9 A. That's my handwriting. It looks
 10 like it's some sort of agenda that the, I 11:12:50
 11 believe the staff would have put together just
 12 to update, give me an update on where they
 13 stood on audit work.
 14 Q. It's headed with the words AHERF,
 15 Accounts Receivable Update, August 8, 1996. Is 11:13:03
 16 that right?
 17 A. Yes.
 18 Q. Is that a typical kind of document
 19 by which you were updated by your staff, one
 20 with that kind of a heading? 11:13:12
 21 A. No. It could vary depending on the
 22 amount of time the staff had and the level of
 23 detail they wanted to go into.
 24 Sometimes an update would be
 25 nothing more than two people sitting down and I 11:13:29

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1 would grab a piece of paper and they would
 2 start going through their list, which was
 3 written on the back of a napkin and I would be
 4 taking notes.
 5 Q. But you don't doubt this is the way 11:13:38
 6 information was conveyed to you in this
 7 instance, in a typewritten format like this?
 8 A. In this particular instance,
 9 someone sat down and put together an outline of
 10 where we stood on our work and the revenue 11:13:49
 11 cycle.
 12 Q. Let me ask you to look midway down
 13 the page for me under the heading Control and
 14 Other Findings to Date. Do you see that
 15 subheading? 11:14:05
 16 A. Yes.
 17 Q. Which is the second on the
 18 document?
 19 A. Yes, I do.
 20 Q. About midway down, maybe a little 11:14:07
 21 greater than midway down, I see a reference
 22 that reads, "Aging methodology has been changed
 23 in 1996 based on final bill date for inpatient
 24 and last pay date for outpatient."
 25 I read that right? Did I read that 11:14:21

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1 right?
 2 A. Yes.
 3 Q. You've written next to it, I
 4 believe in your handwriting, "measure
 5 difference." Did I also read that right? 11:14:31
 6 A. Yes.
 7 Q. Do you recall this announced or
 8 executed or implemented change in methodology?
 9 A. Yes, I remember AHERF management
 10 changing their methodology. 11:14:45
 11 Q. Do you recall that it had to do
 12 with final bill date for inpatient and last
 13 bill date for outpatient?
 14 A. Yes.
 15 Q. Do you recall what you meant when 11:14:55
 16 you wrote the words measure difference?
 17 A. My recollection is I simply wanted
 18 to know how much of a change that had on the
 19 overall receivables
 20 Q. Do you recall at any time 11:15:10
 21 disapproving or taking exception to this
 22 changed methodology to anyone at AHERF?
 23 A. No, no. These methods are
 24 acceptable alternatives to what AHERF was --
 25 had used previously. 11:15:28

23 (Pages 89 to 92)

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<p style="text-align: right;">Page 93</p> <p>1 Q Why do you -- why did you or do you 2 believe they were acceptable alternatives? 3 A. Because I've seen them used 4 elsewhere with other clients or in the 5 industry. 11:15:37 6 Q It was a part of your experience in 7 the industry? 8 A. Yes. Yes, sir. 9 Q. In your A/R accounts receivable 10 audit work in the industry? 11:15:45 11 A. Yes. 12 Q. Did you understand at any point 13 during the '96 audit that this changed 14 methodology would make certain receivables at 15 certain AHERF hospitals seem younger, that is, 11:15:59 16 would reduce their aging in the schedules 17 prepared by the client? 18 A. Yes 19 Q. Why did you think based on your 20 industry experience with A/R matters in the 11:16:15 21 healthcare field that this making younger of or 22 trimming the aging of receivables was 23 appropriate? 24 MR. RYAN: Objection to form. 25 A. It's not a question of whether I 11:16:33</p>	<p style="text-align: right;">Page 95</p> <p>1 if it was Brian, if it was Amy. I just can't 2 remember. 3 Q. Correct me if I'm wrong, but the 4 change that we're talking about, to be a little 5 more specific, that's in your recollection is 11:17:56 6 that the change at certain hospitals, at least, 7 inpatient billings were aged at final bill date 8 rather than discharged in this new methodology; 9 is that much right? 10 A. That's correct. 11:18:11 11 Q. At certain hospitals, outpatient 12 billings were now going to be in, in 1996, aged 13 over again or the aging would restart with the 14 receipt of a payment and that the former 15 beginning point for those agings were at 11:18:26 16 registration? 17 A. The date of service, yes. 18 Q. For date of patient service? 19 A. Yes. 20 Q. Did C&L propose any adjustment in 11:18:36 21 any amount for this aging change in 1996 in its 22 audit work, an adjustment to the reserve for 23 accounts receivable at any AHERF hospitals? 24 A. I think your question has two 25 questions in it or I'm not sure I understand, 11:19:01</p>
<p style="text-align: right;">Page 94</p> <p>1 felt it was appropriate or not. The client 2 adopted a methodology that we had seen 3 elsewhere with other clients. As long as we 4 understood that methodology, then we could go 5 through our own assessment of the impact that 11:16:47 6 that would have. 7 Q. So I think what you're telling me 8 is that you weren't saying grace over or 9 approving the methodology; you were only noting 10 that it was not, in your view, unheard of or 11:16:57 11 potentially uncommon? 12 A. That's correct. 13 Q. Did Coopers & Lybrand ask AHERF to 14 run two different versions of the aging for 15 these hospitals -- of the agings for these 11:17:13 16 hospitals that had employed this changed 17 methodology? 18 A. We asked them for information to be 19 able to measure the difference, so I believe 20 that someone got that information because at 11:17:30 21 the end of the day I can remember being told 22 that the difference was not significant. 23 Q. Who told you that? 24 A. Someone on the staff. That's my 25 recollection. I can't tell you if it was Mark, 11:17:43</p>	<p style="text-align: right;">Page 96</p> <p>1 so I'm going to ask you to repeat, please. 2 Q. Certainly. 3 Do you recall that Coopers & 4 Lybrand proposed any adjustment to the accounts 5 receivable -- or the allowance for doubtful 11:19:11 6 accounts, the reserve for bad debt, at any 7 AHERF hospital that was related to this aging 8 change? 9 MR. RYAN: Objection. 10 A. No. I don't recall suggesting any 11:19:23 11 type of adjustment related to this aging 12 change. 13 Q. Do you recall any discussions with 14 any member of the engagement team about placing 15 this aging change or any affect that may have 11:19:44 16 occurred because of it on the SUD, the 17 statement of unadjusted differences, from 1996? 18 A. No. You're talking solely for the 19 aging change? 20 Q. Yes. 11:20:03 21 A. No. 22 Q. Let me ask you this. If I continue 23 to use the shortened form or the abbreviated 24 form of statement for unadjusted differences 25 and the phrase, therefore, would be SUD, S U D, 11:20:15</p>

24 (Pages 93 to 96)

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<p style="text-align: right;">Page 113</p> <p>1 second page of the report which has Bates 2 digits 428 as its ending Bates digits. 3 Do you see in the sentence that is 4 the second paragraph on this page a reference 5 to a first-run, "correct first-run percentage 11:55:26 6 of 60 percent," do you see that? 7 A. Yes. 8 Q. Is that the flip side of the 40 9 percent percentage you were referring to 10 earlier in your discussion about your 11:55:37 11 discussion with Mr. McConnell? 12 A. Yes. 13 Q. This is Kaliszewski's attempt to 14 capture for AHERF how many times it's getting 15 it right the first time in the hospitals at 11:55:49 16 least that he studied with respect to patient 17 billing? 18 A. That's correct. 19 Q. He apparently concludes that, of 20 the sample that he selected, they were getting 11:55:57 21 it right 60 percent of the time? 22 A. Yes. 23 Q. Did you have a view about how that 24 compared with other hospitals for whom you 25 performed audit services in the mid '90s in 11:56:09</p>	<p style="text-align: right;">Page 115</p> <p>1 paid or how long it takes to get paid. He's 2 trying to compare that to some sort of best 3 practices level that he includes on the bottom 4 of the chart. 5 Q. In the sections or the columns, 11:57:42 6 rather, where he includes -- has the -- the 7 columns that he heads with the phrases bill to 8 pay and discharge to pay, do you see those two? 9 A. Yes. 10 Q. Do you know as you sit here today 11:57:54 11 if the figures set forth in those columns that 12 are so headed include only the accounts that 13 had been paid at the time he was doing his 14 study as opposed to accounts that were still 15 outstanding? 11:58:08 16 A. My understanding would only be 17 those that have actually been paid. 18 Q. Do you recall as you sit here today 19 confirming that with him one way or the 20 another? 11:58:19 21 A. I may have. Reading that, that's 22 my assumption. We may have talked about it 23 because I looked at an earlier draft, but I 24 don't recall a specific discussion with him 25 about it. 11:58:30</p>
<p style="text-align: right;">Page 114</p> <p>1 your industry experience? 2 A. Yes. 3 Q. What was that view? 4 A. 60 percent is low. 5 Q. What was -- 11:56:19 6 A. Was low. 7 Q. What would have been a common or 8 more average, in your view, in your experience 9 from that time period, the mid 90s, percentage 10 of first-run correctness? 11:56:30 11 A. I can't put an exact figure on it, 12 but the 60s should have been 90, let's say, or 13 perhaps even higher. 14 Q. Let me ask you to flip to page 15 three of the report, which is a page that ends 11:56:46 16 in 429 in the Bates numbering system. 17 Are you with me? 18 A. Yes. 19 Q. The chart here attempts to depict 20 what, as you understand it? 11:57:08 21 A. As indicated above the chart, I 22 mean, there are certain parameters or he calls 23 indicators, certain measurement parameters that 24 would highlight bills being sent out the door, 25 if you will, submitted to the insurers or being 11:57:26</p>	<p style="text-align: right;">Page 116</p> <p>1 Q. If it included accounts that were 2 still outstanding at the time he took his 3 measurement, Mr. Kaliszewski, that is, would 4 you have been as confident in the accuracy or 5 the importance of the outcome of the study? 11:58:44 6 MR. RYAN: Objection. 7 A. I'm not sure if I understand your 8 question. 9 Q. Do you think if he had included in 10 his study in these two columns accounts that 11:58:57 11 were not yet paid but still outstanding at the 12 time, that would have skewed the result in any 13 way? 14 MR. RYAN: Objection. 15 A. Well, I -- I don't know. I mean, I 11:59:07 16 would have to look at the level of deviation, 17 if you will, if that were the case. 18 Q. Would that -- well, strike that. 19 If it had been that Mr. Kaliszewski 20 included in these two columns accounts that had 11:59:39 21 not been paid but were still outstanding at the 22 time he took his measurements, it's fair to say 23 that some of those accounts may never have been 24 paid, is that -- because in eventuality 25 sometimes accounts aren't paid? 11:59:54</p>

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<p style="text-align: right;">Page 117</p> <p>1 MR. RYAN: Objection.</p> <p>2 A. That's possible.</p> <p>3 Q. It wouldn't then have been a delay</p> <p>4 in payment issue for those accounts, but it may</p> <p>5 have just been simply a nonpayment issue that 12:00:04</p> <p>6 was causing the data to come out the way it</p> <p>7 came out?</p> <p>8 MR. RYAN: Objection.</p> <p>9 A. Well, again, you would have to</p> <p>10 determine why the payment was not made. Was 12:00:16</p> <p>11 the payment not made because it was a self-pay</p> <p>12 and there was true credit risk? Was a payment</p> <p>13 not made because the registration process was</p> <p>14 incorrect and as a result they were not able to</p> <p>15 get the correct information? 12:00:29</p> <p>16 I mean, you have nominal credit</p> <p>17 risk when dealing with third-party insurers,</p> <p>18 Medicare or Medicaid.</p> <p>19 So the fact that you're not being</p> <p>20 paid is either an eligibility issue or you 12:00:44</p> <p>21 simply can't get it right. So we would have to</p> <p>22 determine the reason for the nonpayment.</p> <p>23 - - - - -</p> <p>24 (Thereupon, Deposition.</p> <p>25 Exhibit 4460 was marked for</p>	<p style="text-align: right;">Page 119</p> <p>1 of Norb's work product --</p> <p>2 A. No.</p> <p>3 Q. -- in any event?</p> <p>4 A. No, I said I believe he prepared --</p> <p>5 he prepared schedules similar to this, but I'm 12:02:38</p> <p>6 not sure these are his schedules or if somebody</p> <p>7 from AHERF, for instance, did their own study</p> <p>8 and used his format. I don't know.</p> <p>9 Q. Thank you.</p> <p>10 You can put that one aside. 12:02:57</p> <p>11 In performing your work in</p> <p>12 connection with the '96 audit of accounts</p> <p>13 receivable at AHERF, did you or those on your</p> <p>14 engagement team review historical data,</p> <p>15 historical collections data? 12:03:29</p> <p>16 A. Well, we, during our work in '95,</p> <p>17 we would have looked at subsequent events. In</p> <p>18 '96, we would have looked at subsequent events.</p> <p>19 Subsequent events being defined as cash coming</p> <p>20 in after the fact that would support the value 12:03:44</p> <p>21 of the receivable at an earlier date</p> <p>22 Q. Subsequent events in '95 would have</p> <p>23 been some period of weeks or months post close</p> <p>24 of the fiscal year '95, is that right?</p> <p>25 A. That's correct. Normally four to 12:04:04</p>
<p style="text-align: right;">Page 118</p> <p>1 purposes of identification.)</p> <p>2 - - - - -</p> <p>3 Q. Mr. Buettner, we've handed you a</p> <p>4 new exhibit which is marked -- could you give</p> <p>5 me -- the number for me? 12:01:23</p> <p>6 A. 4460.</p> <p>7 Q. Thank you. 4460.</p> <p>8 Do you recall seeing this document</p> <p>9 before today?</p> <p>10 A. I recall seeing a document similar 12:01:35</p> <p>11 to this. I don't know if it's the exact</p> <p>12 document that I have in front of me, but I</p> <p>13 remember seeing spreadsheets, if you will, that</p> <p>14 look familiar to this -- or similar to this.</p> <p>15 Q. Do you know what this schedule 12:01:48</p> <p>16 attempts to reflect?</p> <p>17 A. Well, I can only -- I can only</p> <p>18 assume because it's really not dated. I mean,</p> <p>19 Norb prepared schedules similar to this when</p> <p>20 doing his study in both '96 and '97. I don't 12:02:15</p> <p>21 know if this relates to '96 or '97. I'm not</p> <p>22 sure if he prepared it or if somebody from</p> <p>23 AHERF copied the format and did their own</p> <p>24 study.</p> <p>25 Q. But you believe this to be a part 12:02:30</p>	<p style="text-align: right;">Page 120</p> <p>1 eight weeks, let's say.</p> <p>2 Q. That would be the same for '96?</p> <p>3 A. Yes.</p> <p>4 Q. So the historical collections data</p> <p>5 that you would have referred to in connection 12:04:15</p> <p>6 with your fiscal year '96 audit work, that is</p> <p>7 historical from the perspective of the '96</p> <p>8 fiscal year, would have been four to eight</p> <p>9 weeks of subsequent events testing that took</p> <p>10 place in connection with your '95 audit work, 12:04:28</p> <p>11 is that fair?</p> <p>12 MR. RYAN: Objection.</p> <p>13 A. Yes, yes.</p> <p>14 Q. Do you recall referring to</p> <p>15 historical collections data for any prior time 12:04:36</p> <p>16 period or anybody on your engagement team</p> <p>17 having done so in connection with the '96</p> <p>18 audit, that is before the four to six or eight</p> <p>19 weeks after the close of the '95 fiscal year</p> <p>20 data from any prior time period? 12:04:49</p> <p>21 MR. RYAN: Objection.</p> <p>22 A. I'm totally confused here, sir.</p> <p>23 I'm sorry.</p> <p>24 Q. That was long, so let me try it</p> <p>25 again. 12:04:58</p>

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<p style="text-align: right;">Page 121</p> <p>1 You told me that as a matter of</p> <p>2 historical collections data, you believe in</p> <p>3 connection with the '96 audit someone on your</p> <p>4 engagement team would have looked at the '95</p> <p>5 audit team's subsequent events testing. Is 12:05:08</p> <p>6 that much right?</p> <p>7 MR. RYAN: Objection.</p> <p>8 A. No, no, no. I'm sorry.</p> <p>9 Q. Then correct me, please.</p> <p>10 A. Let me -- if I misled you, I 12:05:16</p> <p>11 apologize.</p> <p>12 We'll do it -- we'll look at '96</p> <p>13 and I'll put some dates as an example that may</p> <p>14 not necessarily correlate to dates in our work</p> <p>15 papers. 12:05:27</p> <p>16 We're attempting to gain some sort</p> <p>17 of comfort on the collectibility or what we</p> <p>18 call the NRV, net realizable value, of patient</p> <p>19 receivables as of June 30, '96.</p> <p>20 Q. This is as a part of your '96 audit 12:05:44</p> <p>21 work?</p> <p>22 A. Yes, sir.</p> <p>23 One thing that we would look at</p> <p>24 then is we would look at collection activity in</p> <p>25 July and August of '96. 12:05:54</p>	<p style="text-align: right;">Page 123</p> <p>1 collections that occurred during the year for</p> <p>2 '96. And I believe we got that information</p> <p>3 from patient accounting, I believe. They had</p> <p>4 prepared schedules that would summarize cash</p> <p>5 coming in the door for periods -- for a 12:07:19</p> <p>6 particular month, if you will.</p> <p>7 Q. Particular months during fiscal</p> <p>8 year '96?</p> <p>9 A. Yes, yes, yes. By payor, I</p> <p>10 believe. I believe it was by payor. 12:07:29</p> <p>11 Q. Do you recall looking at any</p> <p>12 schedules or any data like that for any period</p> <p>13 before fiscal year 1996 in connection with your</p> <p>14 '96 audit work?</p> <p>15 A. Yes, I think I just answered that, 12:07:40</p> <p>16 I believe that was -- I can't remember now if</p> <p>17 that was '96 or '97. I want to say it was for</p> <p>18 '96, but I can't -- honestly can't remember.</p> <p>19 Q. I thought, though, what you said</p> <p>20 was in connection with your '96 audit work, you 12:07:52</p> <p>21 looked at data about collections in fiscal year</p> <p>22 '96?</p> <p>23 A. Yes. And I believe that's the</p> <p>24 case. I believe that's the case. There were</p> <p>25 schedules put together. I believe that was 12:08:02</p>
<p style="text-align: right;">Page 122</p> <p>1 Q. I understand.</p> <p>2 A. We would then evaluate the level of</p> <p>3 cash that came in during those two months</p> <p>4 related to the June '96 receivables to gain</p> <p>5 some sort of comfort that they're collecting 12:06:07</p> <p>6 those receivables.</p> <p>7 We, likewise, would have done that</p> <p>8 in 1995, the same scenario, June of '95, looked</p> <p>9 at the July-August period of time, some period</p> <p>10 of time. 12:06:23</p> <p>11 So that was my answer to your</p> <p>12 initial question when you asked for some sort</p> <p>13 of historical evaluation.</p> <p>14 Q. I understand your answer now. I</p> <p>15 appreciate the clarification. 12:06:33</p> <p>16 My question then, as just a</p> <p>17 follow-up, but I think I know the answer, is,</p> <p>18 do you recall in connection with your '96 audit</p> <p>19 work having anyone on your engagement team, or</p> <p>20 yourself, look at collections data from prior 12:06:47</p> <p>21 years, from prior periods, that is before the</p> <p>22 fiscal year '96, doing it as a part of your '96</p> <p>23 audit work?</p> <p>24 A. That was a factor that we</p> <p>25 considered because we did look at cash 12:07:00</p>	<p style="text-align: right;">Page 124</p> <p>1 '96. But, you know, it may have been '97. I</p> <p>2 can't remember the time period, but we would</p> <p>3 have looked at that, yes.</p> <p>4 Q. So you're not sure whether it was</p> <p>5 '96 or '97 where you did that look? 12:08:17</p> <p>6 A. Yes.</p> <p>7 Q. My question is, in any -- in either</p> <p>8 year -- I think this is where we're not maybe</p> <p>9 understanding each other -- in either year --</p> <p>10 year's audit work, the year's audit for fiscal 12:08:29</p> <p>11 year '97 or the year's audit work for fiscal</p> <p>12 year '96, do you recall looking at cash</p> <p>13 collections that were brought in the door in</p> <p>14 years before the audit year you were auditing,</p> <p>15 so for '96 it would have been looking at 12:08:44</p> <p>16 collections in '95 or for '97 it would have</p> <p>17 been looking at collections in '96 or some</p> <p>18 prior year? Do you recall doing that in</p> <p>19 connection with your audit work in '96 or '97?</p> <p>20 A. I think I answered that. I mean, 12:08:57</p> <p>21 I'm not trying to be difficult, but in '96</p> <p>22 we're looking at cash collections at the</p> <p>23 beginning of the next fiscal year that relate</p> <p>24 to '96. I thought we looked at cash</p> <p>25 collections that were summarized during the 12:09:17</p>

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<p style="text-align: right;">Page 125</p> <p>1 year by payor during '96, but, again, I can't 2 remember if it was '96 or '97.</p> <p>3 Q. But were those cash collections, 4 though, collections, if it was '96 or '97, that 5 came in the door during the fiscal year you 12:09:36 6 were auditing?</p> <p>7 A. Yes, they probably were. Some of 8 them may have related to the previous year. 9 There was no segregation on the schedule.</p> <p>10 Q. But it was clearly cash that came 12:09:45 11 in the door during the fiscal year you were 12 auditing?</p> <p>13 A. Yes. Yes, sir.</p> <p>14 Q. My question then is this, do you 15 recall in connection with either your '96 or 12:09:51 16 '97 work -- audit work looking at collections 17 data from any prior year that came in the door 18 during any prior fiscal year?</p> <p>19 A. In other words, cash that came in 12:10:03 20 the door that was segregated by the year that 21 the receivable related to?</p> <p>22 Q. Or that you knew otherwise to be 23 related.</p> <p>24 A. No, I don't remember looking at 25 that. 12:10:11</p>	<p style="text-align: right;">Page 127</p> <p>1 presuming you're telling me you didn't do that?</p> <p>2 A. No. But that's the gist of what I 3 thought you were asking me.</p> <p>4 Q. Well, I think we're almost 12:11:25 5 understanding each other.</p> <p>6 My question is, I think you've told 7 me now that in one of the two audit years --</p> <p>8 A. If not both.</p> <p>9 Q. If not both.</p> <p>10 A. I'm not sure. 12:11:33</p> <p>11 Q. Either '96 or '97, you looked at, 12 you believe, or someone on your team looked at, 13 you believe, collections during that audit year 14 that may have related to accounts that were 15 started in a prior audit year? 12:11:44</p> <p>16 A. Yes, may have, we're not sure.</p> <p>17 Q. My question is, do you recall doing 18 that exercise, that is looking at collection 19 activity, regardless of when the service dates 20 were or the discharge dates were for that cash 12:11:55 21 collection, but which cash came in the door in 22 a year prior to the year you were auditing?</p> <p>23 MR. RYAN: Objection.</p> <p>24 A. No, other than the subsequent 25 collection work that we just -- I just 12:12:07</p>
<p style="text-align: right;">Page 126</p> <p>1 Q. Do you recall ever asking for that 2 kind of data of your client, AHERF?</p> <p>3 MR. RYAN: Objection. You mean the 4 date of when the cash came in during the prior 5 year or the date of service was in the prior 12:10:28 6 year?</p> <p>7 MR. JONES: The prior year cash 8 collections.</p> <p>9 MR. RYAN: Because I'm not sure you 10 were clear. 12:10:34</p> <p>11 A. Let me -- I'm really having a 12 difficult time here, so let me see if I can re 13 -- I don't want to do your job for you, but let 14 me try to just rehash the question so you can 15 agree that it's what you're looking for. 12:10:44</p> <p>16 Cash comes in the door. The client 17 summarizes that cash by third-party, let's say 18 Blue Cross, Medicare, whatever.</p> <p>19 That cash is obviously paying for 20 receivable. The cash comes in the door in 12:11:01 21 1996. You're asking if we evaluated whether 22 the cash that came in at that time in '96 23 related to a '96 receivable or a '95 24 receivable.</p> <p>25 Q. I'm not really asking that, but I'm 12:11:18</p>	<p style="text-align: right;">Page 128</p> <p>1 described to you in the July-August time frame.</p> <p>2 We wouldn't be looking at that. I 3 mean, the client had systems in place where 4 they were aging receivables. So that type of 5 information in terms of what was paid and what 12:12:24 6 was unpaid would be coming out of their -- the 7 system, reports that were being generated 8 within the AHERF system.</p> <p>9 Q. How does subsequent receipts 10 testing provide comfort with respect to your 12:12:46 11 view of -- an auditor's view of, in this 12 particular case, your view, Mr. Buettner's view 13 of the suitability of the allowance for 14 doubtful accounts?</p> <p>15 A. Well, it's just one tool of many 12:13:00 16 tools that we have to evaluate the estimates 17 that management has established when they're 18 preparing the financial statements. So if at 19 the end of a specific year, I'll use June 30, 20 '96 as the example here, you have receivables 12:13:22 21 that are listed to be collected, and some 22 portion of them are collected in July or 23 August, that gives us comfort that obviously 24 those receivables are not uncollectible because 25 they've been collected. 12:13:40</p>

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<p style="text-align: right;">Page 129</p> <p>1 It also gives us comfort in the 2 fact that the client is going through a billing 3 process that the third parties are accepting to 4 a certain degree and that you have some sort of 5 evidence that services are being provided and 12:13:57 6 being paid for in the normal course of 7 business. 8 Q. Let me ask you, as a part of your 9 '95, I'm flipping back a year on you now, at 10 least, '95 audit work, whether you became aware 12:14:12 11 that Coopers & Lybrand auditors were involved 12 in a process of looking at the affect of 13 applying the reserve allowance for doubtful 14 account reserving percentages from the 15 Allegheny General Hospital to the aging 12:14:29 16 receivable buckets at other hospitals within 17 the AHERF system in '95; do you recall that 18 that was done? 19 A. Yes, I recall that. 20 Q. Let me hand you what is Exhibit 12:14:47 21 1523. You may take a moment to look at it. I 22 only have a question about one of really the 23 notes on the second page of the document 24 My question, after you've had a 25 chance to look at the note or as much of the 12:15:00</p>	<p style="text-align: right;">Page 131</p> <p>1 sort of assessment in a manner differently than 2 what they did, which is something that the 3 auditing standards would suggest that an 4 auditor should do. 5 So I was familiar with the AGH 12:17:02 6 methodology and I asked my staff to overlay 7 that methodology over the results out in the 8 east, not to come up with an answer, but to 9 come up with some sort of framework as to how 10 large of a difference, if any, the allowance 12:17:21 11 would be between the two methodologies. 12 I believe that's what you see here 13 in this summary page. The first three columns, 14 the per C&L, was really just the overlaying of 15 the AGH methodology with no factoring in of any 12:17:40 16 other items that we would have to consider to 17 reach a total assessment. Then we compared 18 that to what the client booked and then there 19 were other items there that we felt were -- 20 should be considered in coming up with whether 12:17:56 21 the reserves were adequate in the east or not 22 adequate or whether they should be strengthened 23 and things of that nature. 24 Q. Can you show me on the document 25 where the difference is between what the client 12:18:06</p>
<p style="text-align: right;">Page 130</p> <p>1 document you would like, Mr. Buettner, is why 2 was that done in fiscal year '95 or in 3 connection with the fiscal year '95 audit? 4 A. Well, there were a couple of 5 reasons why it was done. As I had indicated 12:15:15 6 earlier, in 1995, AHERF experienced an increase 7 in their receivables in the east. And that 8 based on management's assertions, as well as 9 items that we observed, that increase was due 10 in most part to some sort of billing issues, 12:15:46 11 centralization process that was I guess 12 publicly disclosed earlier than it should have 13 been. They weren't getting bills out the door. 14 So the receivables grew. Agings 15 deteriorated. In other words, bills were being 12:16:07 16 generated or the wrong bills were being 17 generated or bills simply weren't getting out 18 the door, and the aging deteriorated. 19 So based on the assertions that 20 management told us, that we have this process 12:16:24 21 problem, this billing problem, you would expect 22 the receivables to age. We looked at that 23 aging and we looked at the methodologies that 24 were being used by the organizations out in the 25 east. I felt that I wanted to go through some 12:16:41</p>	<p style="text-align: right;">Page 132</p> <p>1 booked on the reserve and what would have been 2 booked had the AGH methodology been applied to 3 the hospitals listed here? 4 A. You mean simply the math exercise? 5 Q. Yes. Is the difference reflected 12:18:19 6 here in a column or the result of a column? 7 A. Yes, it would be the seventh column 8 over from the left called difference. 9 Q. It's got a figure originally 10 apparently of 18.7 million dollars, roughly? 12:18:33 11 A. I can't read it exactly, but it's 12 14.7. 13 Q. 14.7 is the handwritten edit to it? 14 A. Yes. 15 Q. I believe that my best read of that 12:18:45 16 is 18.7 million. It looks like 4 million has 17 been -- or so has been deducted perhaps by 18 someone in handwriting. Is that right? 19 A. Yes. 20 Q. Is the handwriting yours? 12:18:56 21 A. No, it's not. 22 Q. The note reads, "C&L assessed the 23 adequacy of each of AHERF's individual 24 hospitals, HUH, MCPH, SCHC, EPC and BCC, A 25 slash R reserves by applying AGH's reserve 12:19:15</p>

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<p style="text-align: right;">Page 133</p> <p>1 percentage to each aging category of outpatient 2 and inpatient receivable." Is that at least 3 the first sentence? 4 A. Yes. 5 Q. Those other hospitals listed there, 12:19:25 6 did you understand them all to be Delaware 7 Valley Obligated Group hospitals? 8 MR. RYAN: Objection. 9 Q. Or some other set of hospitals? 10 A. I would call them the eastern 12:19:35 11 region hospitals. 12 Q. At least as of the date of this 13 schedule, June 30, 1995? 14 A. Yes, yes. 15 Q. The Obligated Group was actually 12:19:43 16 formed later is your understanding? 17 A. Yes. 18 Q. In shorter form, at least in this 19 time period, this was the eastern area or 20 Philadelphia area hospitals? 12:19:53 21 A. For AHERF, that's correct. 22 Q. Yes. 23 Did you consider the AGH 24 percentages to be at the time more appropriate 25 than the aging percentages that had been 12:20:04</p>	<p style="text-align: right;">Page 135</p> <p>1 talked about is simply the math. 2 Q. Of taking percentages from AGH and 3 applying to the aged bucket receivables at 4 these eastern area hospitals? 5 A. That's correct. 12:21:20 6 Q. Thank you. 7 Do you recall discussing this with 8 AHERF as a part of your '95 audit work, that 9 this calculation had been performed, this 10 application of percentage? 12:21:34 11 A. Yes. 12 Q. With whom did you discuss it? 13 A. It was the basis for the meeting 14 that I mentioned I had with McConnell, Mark and 15 I had with McConnell for '95. 12:21:44 16 Q. Did you share with him that you had 17 actually done this math or did you just share 18 with him your comments about the status of the 19 receivable in a more general way? 20 A. No, I think we gave him everything 12:21:55 21 that Mark prepared. 22 Q. What do you mean by that? 23 A. Well, there was this schedule and I 24 believe there were a few other schedules, if 25 this is the same schedule. I mean -- 12:22:04</p>
<p style="text-align: right;">Page 134</p> <p>1 applied by the client at these hospitals, these 2 eastern area or Philadelphia area hospitals, in 3 your experience? 4 MR. RYAN: Objection. 5 A. No, I did not. I mean, I wasn't 12:20:15 6 looking at the percentages, per se. I'm 7 looking at the methodology. There's a 8 difference between the methodology that AGH 9 followed and just applying percentages. 10 Q. So you weren't looking at the 12:20:32 11 percentages? 12 A. No. We applied what I would call 13 the AGH methodology, which -- which, by the 14 way, in this particular case, was -- we used 15 the AGH percentages because we were trying to 12:20:42 16 create parameters. But as I had indicated, 17 there are a wide variety of other items that 18 you would have to consider in making some sort 19 of assessment on the adequacy of the reserves 20 and so on. You just wouldn't attach numbers 12:20:56 21 into a formula. 22 Q. But this schedule, that formula is 23 merely calculated by applying the AGH 24 percentages, is that right? 25 A. Yes. The difference column that we 12:21:08</p>	<p style="text-align: right;">Page 136</p> <p>1 Q. In other words, you gave -- in any 2 event, though, you believe in that meeting you 3 gave Mr. McConnell a package of documents? 4 A. Yes, documents or schedules, yes. 5 Q. One of which may have been this 12:22:18 6 schedule? 7 A. Yes. 8 Q. But you can't tell me with 9 certainty that you gave him this document, is 10 that fair to say? 12:22:27 11 A. We're talking again this document 12 with the numbers written on it? 13 Q. At least that much. I understand 14 there's also handwriting on it. 15 A. I don't know if he ever saw this 12:22:39 16 document with the handwriting on it. 17 Q. Separate and apart from the 18 handwriting? 19 A. Yes, I'm sure -- I'm sure that we 20 discussed this with him and I believe he had a 12:22:49 21 copy of it. 22 Q. Was there any reason you chose AGH 23 over any other hospital as the hospital whose 24 percentages would be applied? 25 MR. RYAN: Objection. 12:23:05</p>

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<p style="text-align: right;">Page 145</p> <p>1 Another critical issue was the 2 environment in which the east was operating on 3 versus the west, if I can use those terms. 4 Q. You mean the eastern -- 5 A. The east being the Hahnemanns, 12:50:31 6 MCP's where we're trying to access the reserve 7 adequacy versus the west, which is Allegheny. 8 The Allegheny processing of 9 receivables, while not perfect, was handled in 10 a much better format than the processing in the 12:50:54 11 east. 12 You did not have the people drain, 13 if you will, to staff reductions that occurred 14 in the east. That did not replicate itself in 15 the west due to the centralization. 12:51:11 16 Because the processing was so 17 difficult in the east, you had receivables 18 going out the door incorrectly, claims being 19 rejected, coming back to the organization for a 20 resubmission of a correct amount. 12:51:26 21 Well, when you think about the 22 methodology that we've talked about this 23 morning where you're applying some sort of 24 percentages to aging buckets, in Allegheny's 25 situation, you have a bill go out the door that 12:51:43</p>	<p style="text-align: right;">Page 147</p> <p>1 A. Well, as I indicated, a receivable 2 sitting in the 60-day or 90-day category for 3 AGH would have different attributes than a 4 receivable that's sitting in a similar category 5 out east because a clean claim out east may not 12:53:18 6 have been generated until the 90-day mark. 7 An easy way of thinking about it is 8 if you take the Allegheny method and you just 9 overlay an additional 60 days or 75 days of 10 aging before clean claim comes off the 12:53:33 11 system -- now, that doesn't happen all the 12 time, obviously. But as a rule of thumb, there 13 were a higher level of rejects in the east 14 versus the west. 15 Q. My question then is, isn't it also 12:53:45 16 the case, however, that this missed -- this 17 misphenomenon on first-runs or this ability to 18 get out clean claims first time and, therefore, 19 delay in getting out clean claims to the 20 payors, as you've described it, isn't it the 12:54:07 21 case that this delay might also itself lead to 22 ultimate uncollectibility? 23 A. It may -- it may in terms of 24 self-pay, yes. And that's why when you look at 25 the overall reserve requirement versus the 12:54:20</p>
<p style="text-align: right;">Page 146</p> <p>1 would be classified in the zero to 30 category 2 and then presumably by the time it hit 90 days 3 it would be collected, perhaps 120 days if it's 4 a stay. 5 In the east, because as we had -- 12:52:01 6 because of the processing problems that we've 7 talked about and the rejections that occur, a 8 clean claim may not go out until the 90-day 9 time period, in effect. 10 So where Allegheny is billing 12:52:18 11 Medicare or Blue Cross or Medical Assistance or 12 some commercial insurer, hoping to collect 13 their money within 30, 45, 60 days, and 14 attempting to provide some sort of loss 15 parameter of what may be uncollectible on that 12:52:35 16 processing schedule, in the east, you're adding 17 probably 60 days before you're getting some 18 sort of clean claim being processed. 19 You have to take that into 20 consideration in terms of coming out with an 12:52:48 21 overall evaluation. 22 Q. Which way did that mitigate? 23 A. That would reduce the reserve 24 requirement as well. 25 Q. Why is that? 12:53:01</p>	<p style="text-align: right;">Page 148</p> <p>1 overall portfolio receivable requirements, you 2 would want to do a comparison to see how the 3 east is versus -- compares to the west. 4 Q. Might it also cause consternation 5 with third-party payors and ultimately 12:54:31 6 uncollectibility with respect to them as well, 7 this delay? 8 MR. RYAN: Objection. 9 A. If you end up getting a clean claim 10 in, you should be paid. I mean, they may not 12:54:41 11 like the fact that they're rejecting the 12 claims, but if you ultimately get it right, 13 you're going to get collected within whatever 14 the timing requirements are for getting that 15 claim out. 12:55:03 16 Q. Were there other factors besides 17 that and the AGH percentages? 18 A. There was the PIP. 19 Q. And the PIP, and the reserve total 20 to reserve -- or to receivable total. Others? 12:55:11 21 A. The environment was -- the 22 processing environment was very important. The 23 PIP cash balances, if you will, were very 24 important in terms of whether you would use 25 this methodology -- you would have to adjust 12:55:24</p>

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<p style="text-align: right;">Page 149</p> <p>1 the methodology. Those are the two primary 2 factors. 3 We would have looked at other items 4 such as subsequent collections, as I mentioned 5 before. We would look at the level of 12:55:35 6 third-party payors and self-payors. We would 7 look at the history of the reserve to total A/R 8 for the east versus the west in previous years. 9 Q. Mr. Kirstein in the letter that you 10 recall reviewing himself, however, notes that 12:55:50 11 our basis for this conclusion, that is that the 12 accounts receivable reserve should be enhanced, 13 is rooted in the amount of A/R over 180 days 14 old coupled with the reduction of the reserve 15 as a percentage of A/R at several of the 12:56:07 16 hospitals. 17 I at least read the sentence right, 18 didn't I? 19 A. Yes, and I think I've indicated, 20 that's what I testified to earlier. 12:56:16 21 Q. But -- go ahead. 22 A. The percentage of reserves to the 23 total A/R portfolio. 24 Q. I'm focusing in on a different part 25 of the same sentence, that is, Mr. Kirstein 12:56:26</p>	<p style="text-align: right;">Page 151</p> <p>1 A. I simply -- yeah, I don't recall 2 having the staff do that. 3 Q. Let me ask you then to look at 4 Exhibit 4386 with me. It is an AHERF accounts 5 receivable procedures document, which is 12:57:46 6 apparently two pages in length, another one of 7 these accounts receivable typewritten 8 documents, not too dissimilar from the one we 9 saw before, am I right, in its format, anyway? 10 A. It would be similar to what we 12:58:01 11 looked at before, yes. 12 Q. About two-thirds of the way down 13 the first page of the document in one of the 14 bullet points on the left-hand margin I read 15 this phrase: "Prepare AGH model reserve for 12:58:13 16 all entities." Is that right? 17 A. I see that, yes. 18 Q. Do you recall being at a meeting or 19 reading a document like this at which this same 20 proposal is made or sentence was discussed? 12:58:30 21 A. Well, I don't remember the meeting, 22 but, I mean, I believe I've seen this document 23 before. It was put together by the staff, 24 so -- 25 Q. When do you think you saw it? 12:58:37</p>
<p style="text-align: right;">Page 150</p> <p>1 appears to be noting a concern about A/R that 2 is over 180 days old and a concern there that 3 appears, to my eye, to be one about ultimate 4 collectibility. 5 Do you read it the same way, that 12:56:35 6 he has a concern that he's expressing about the 7 ultimate collectibility of A/R over 180 days 8 old? 9 MR. RYAN: Objection. 10 A. Well, that he has a concern with 12:56:46 11 the collectibility of A/R over 180 days old. 12 That is one additional factor that we looked at 13 that led us to believe that the reserve -- 14 reserve level should be enhanced. 15 Q. Let me ask you to look at another 12:57:03 16 document for me. It's going to be Exhibit 17 4386. 18 Right before we broke for lunch, we 19 talked about whether you recalled proposing or 20 hearing about a proposal to apply the AGH 12:57:20 21 reserve percentages to aged buckets of 22 receivables at other AHERF hospitals in 23 connection with fiscal year '96 audit work. I 24 think you told me that you did not recall that 25 proposal. 12:57:31</p>	<p style="text-align: right;">Page 152</p> <p>1 A. Well, at some meeting. I mean, I 2 can see my handwriting over here in terms of 3 some comment on subsequent receipts testing and 4 so on. 5 Q. So is it fair to say that your 12:58:48 6 recollection is refreshed that at some point 7 during the 1996 audit work there was a proposal 8 discussed to prepare AGH model reserve for all 9 entities? 10 A. Well, that may have been other 12:59:03 11 people's suggestion, but it wasn't mine. 12 Q. My question is, is your 13 recollection refreshed that the concept was 14 discussed, having seen the document? 15 A. The concept may have been 12:59:15 16 discussed, yes, but I don't believe I was the 17 one that initiated the discussion of that 18 concept. 19 Q. Just so we're clear, I understand 20 that you don't think you initiated it, and you 21 believe it may have been discussed, my question 22 is, is your recollection refreshed that it was 23 discussed? 24 A. Yes, it probably was discussed at 25 the meeting. I don't have any specific reason 12:59:30</p>

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<p>Page 153</p> <p>1 to say that it wasn't.</p> <p>2 Q. Right.</p> <p>3 Do you have a recollection that you</p> <p>4 didn't want it to be done, that you didn't want</p> <p>5 the AGH model reserve applied to all entities 12:59:37</p> <p>6 in '96?</p> <p>7 A. Yes.</p> <p>8 MR. RYAN: Objection.</p> <p>9 A. I reached a conclusion that it was</p> <p>10 not necessary. 12:59:46</p> <p>11 Q. When did you reach that conclusion?</p> <p>12 A. Probably sometime during the</p> <p>13 beginning of year-end work. I just didn't feel</p> <p>14 that it would accomplish anything. I can't</p> <p>15 tell you the exact date or time frame. 13:00:00</p> <p>16 Q. Do you recall what you based your</p> <p>17 conclusion on?</p> <p>18 A. On the processing errors that</p> <p>19 continued to exist at the eastern hospital</p> <p>20 operations and the fact that the agings would 13:00:11</p> <p>21 not be as valuable a tool in assessing reserve</p> <p>22 requirements as they had been in the past</p> <p>23 because of the inability of the organization to</p> <p>24 get clean claims out the door.</p> <p>25 Q. I'm handing you now, Mr. Buettner, 13:00:41</p>	<p>Page 155</p> <p>1 Q. I understand.</p> <p>2 He is at least listed as the</p> <p>3 individual at C&L as completed by, his name</p> <p>4 appears next to the words completed by?</p> <p>5 A. Yes. 13:01:54</p> <p>6 Q. Mr. Kirstein's appear next to the</p> <p>7 words reviewed?</p> <p>8 A. Yes.</p> <p>9 Q. I think PBC, as you put it,</p> <p>10 prepared by client, may be partially applicable 13:02:07</p> <p>11 to this document, or it may not be. But in any</p> <p>12 event, there are some footnotes that I think --</p> <p>13 or tick mark notes that I think you will tell</p> <p>14 me are Coopers & Lybrand's. If you look in</p> <p>15 particular at page 1098. 13:02:13</p> <p>16 A. M-hm.</p> <p>17 Q. Do you see the note there? The</p> <p>18 note which reads note.</p> <p>19 A. Yes.</p> <p>20 Q. It goes on to read, "C&L does not 13:02:22</p> <p>21 propose an entry for the difference between the</p> <p>22 two reserve calculations because C&L has</p> <p>23 prepared an additional analysis for the bad</p> <p>24 debt reserve using AGH's reserve percentages</p> <p>25 and the client has booked an additional 13:02:43</p>
<p>Page 154</p> <p>1 what is marked as Exhibit 4387. I'm going to</p> <p>2 ask you to take a look at that document with</p> <p>3 me.</p> <p>4 It is headed Working Paper for HUH</p> <p>5 Center City, inpatient bad debt analysis, 13:01:01</p> <p>6 6-30-96. Is that right?</p> <p>7 A. Yes.</p> <p>8 Q. HUH Center City was at that time a</p> <p>9 DVOG hospital as you understood it?</p> <p>10 A. Yes. 13:01:11</p> <p>11 Q. This is a '96 work paper from the</p> <p>12 CLASS system, or it appears so to you?</p> <p>13 A. Yes.</p> <p>14 Q. Apparently completed by</p> <p>15 Mr. Christian and ultimately reviewed by 13:01:24</p> <p>16 Mr. Kirstein in September of '96 or October of</p> <p>17 '96, is that right?</p> <p>18 A. I don't know if it was completed by</p> <p>19 Brian or not. I see the term. I haven't</p> <p>20 looked at the rest of the document. I see the 13:01:31</p> <p>21 term PBC there, which I believe stands for</p> <p>22 prepared by client. It may, at least my</p> <p>23 experience is that would tell you it's prepared</p> <p>24 by client. So I'm not sure exactly what Brian</p> <p>25 did to this schedule. 13:01:45</p>	<p>Page 156</p> <p>1 reserve."</p> <p>2 Do you see that?</p> <p>3 A. Yes.</p> <p>4 Q. Did I read that accurately?</p> <p>5 A. Yes. 13:02:48</p> <p>6 Q. Do you recall now that this</p> <p>7 analysis was done and that an additional</p> <p>8 reserve was booked?</p> <p>9 A. Yes, an additional reserve was</p> <p>10 booked in '96. 13:03:03</p> <p>11 Q. Do you recall that the AGH reserve</p> <p>12 percentage analysis was prepared?</p> <p>13 A. No, I don't recall that at all.</p> <p>14 Q. Would you have expected to have</p> <p>15 been privy to that analysis had it been done as 13:03:13</p> <p>16 a part of your audit responsibilities?</p> <p>17 A. Yes.</p> <p>18 MR. RYAN: Objection.</p> <p>19 A. I spent a significant period of</p> <p>20 time with Brian and Mark going through portions 13:03:24</p> <p>21 of the receivable work papers in '96, and I</p> <p>22 would have expected to see that.</p> <p>23 Q. Did you ever learn that it had been</p> <p>24 done and then discarded, the application of the</p> <p>25 AGH percentages to the aged receivables at 13:03:39</p>

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<p style="text-align: right;">Page 157</p> <p>1 other AHERF hospitals for fiscal year '96?</p> <p>2 MR. RYAN: Objection.</p> <p>3 A. No. We spent, if my memory serves</p> <p>4 me correctly, we spent a lot of time looking at</p> <p>5 agings and other receivable documentation for 13:03:50</p> <p>6 the east and the west in '96. And I recall</p> <p>7 Brian printing out this information on rather</p> <p>8 large spreadsheets because, quite frankly, the</p> <p>9 computer printouts were small in terms of the</p> <p>10 information and my ability to read them. We 13:04:15</p> <p>11 spent a lot of time looking at those agings.</p> <p>12 But I do not recall any type of</p> <p>13 exercise of going through and having -- at</p> <p>14 least exercise that I went through with them</p> <p>15 where we would look at the AGH methodology, 13:04:30</p> <p>16 let's say, compared to what was going on in the</p> <p>17 east in '96.</p> <p>18 Q. Do you ever recall hearing from</p> <p>19 either one of them or from anyone else on the</p> <p>20 engagement team that it had indeed been done, 13:04:39</p> <p>21 whether or not it was presented to you or gone</p> <p>22 over by you?</p> <p>23 A. No, I don't remember that at all.</p> <p>24 Q. Do you recall reading this note</p> <p>25 before today? 13:05:03</p>	<p style="text-align: right;">Page 159</p> <p>1 Delaware Valley Obligated Group hospital</p> <p>2 reserve percentages, aging -- the percentages</p> <p>3 applied to their aging receivable buckets were</p> <p>4 low or too low in your estimation?</p> <p>5 MR. RYAN: Could I have that read 13:07:01</p> <p>6 back, please?</p> <p>7 (Record read.)</p> <p>8 Q. Do you recall coming to that</p> <p>9 conclusion?</p> <p>10 A. I do not recall concluding -- let 13:07:07</p> <p>11 me put it to you this way. My conclusion was</p> <p>12 that I could not rely solely on looking at the</p> <p>13 agings for the Delaware Valley to determine the</p> <p>14 adequacy of the reserve for the client.</p> <p>15 So I did not spend a great deal of 13:07:22</p> <p>16 time making any type of assessment on the</p> <p>17 percentages, loss percentages being applied,</p> <p>18 for instance, to Hahnemann.</p> <p>19 Q. Do you recall becoming at all</p> <p>20 concerned that these percentages were low on 13:07:35</p> <p>21 their face --</p> <p>22 MR. RYAN: Objection.</p> <p>23 Q. -- at DVOG hospitals?</p> <p>24 A. I'm not even sure what the DVOG</p> <p>25 hospitals had adopted that the Hahnemann loss 13:07:43</p>
<p style="text-align: right;">Page 158</p> <p>1 A. No.</p> <p>2 Q. Do you recall ever learning, other</p> <p>3 than through review of a schedule, that anyone</p> <p>4 had made such a comparison and then described</p> <p>5 those -- the comparison to you orally in a 13:05:20</p> <p>6 conversation?</p> <p>7 A. No. I mean, we had -- Mark, Brian</p> <p>8 and I had numerous conversations about the</p> <p>9 adequacy of reserves in '96. We were all</p> <p>10 throwing out various ideas and various ways of 13:05:35</p> <p>11 looking at it, looking at the situation and the</p> <p>12 reserve levels and what we felt would be</p> <p>13 appropriate in terms of an enhancement to the</p> <p>14 reserve levels.</p> <p>15 I don't remember the content of all 13:05:48</p> <p>16 of those discussions. I can tell you we talked</p> <p>17 about them. I don't remember going through an</p> <p>18 exercise similar to what we looked at in '95</p> <p>19 where somebody sat down and showed me an</p> <p>20 analysis of the AGH reserve percentages with 13:06:09</p> <p>21 the client's receivables. I just don't</p> <p>22 remember seeing that. I don't remember talking</p> <p>23 to them about it.</p> <p>24 Q. Do you recall ever coming to a</p> <p>25 conclusion during your '96 audit work that 13:06:18</p>	<p style="text-align: right;">Page 160</p> <p>1 percentages for the rest of the operations,</p> <p>2 number one. I'm not sure. I just don't know.</p> <p>3 I think I just answered that I</p> <p>4 didn't spend a great deal of time looking at</p> <p>5 that assessment. My assessment was geared in 13:07:54</p> <p>6 another area.</p> <p>7 So instead of reperforming what the</p> <p>8 client had done, which is one option that an</p> <p>9 auditor can follow in terms of assessing the</p> <p>10 adequacy of an accounting estimate the client 13:08:13</p> <p>11 develops, we decided -- I decided to look at</p> <p>12 other areas and other factors to conclude on</p> <p>13 whether those reserves and the estimates the</p> <p>14 client made were reasonable or not.</p> <p>15 Q. The other factors were what? 13:08:26</p> <p>16 A. Well, the other -- overall growth</p> <p>17 in the portfolio. The makeup of that growth,</p> <p>18 whether it was third parties, self-pay,</p> <p>19 commercial insurers. The level of cash coming</p> <p>20 into the organization for the few months before 13:08:43</p> <p>21 and immediately after year-end. The level of</p> <p>22 charge-offs that the client had recorded during</p> <p>23 the year. The level of reserves that existed</p> <p>24 at the end of the year versus a comparison to</p> <p>25 the total portfolio, if you will, of 13:09:03</p>

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<p style="text-align: right;">Page 213</p> <p>1 I used the update to help with my 2 review of final audit issues with AHERF 3 management, McConnell or Spargo or whoever. It 4 was a memory jogger as well. 5 Q. Do you know when in the audit 15:39:44 6 process this document would have been created 7 or prepared? 8 A. Near the end of the audit. I can't 9 tell you exactly when, but they probably would 10 have, "they" being the C&L staff, would have 15:39:57 11 started on this sometime in maybe early 12 September as we were wrapping up the audit and 13 they were trying to put together a review of 14 financial statements and they were going 15 through disclosure reviews with the client and 15:40:11 16 so on. 17 Q. Are the handwritten notes on this 18 document yours? 19 A. Yes. Yes. 20 Q. What did you mean by a top side 15:40:25 21 review of the financial statements? 22 A. Under the auditing standards that 23 existed, at least at the time in '95, '96, '97, 24 the auditor had a responsibility to go through 25 some sort of top side review. In other words, 15:40:40</p>	<p style="text-align: right;">Page 215</p> <p>1 Q. The subtopic there that I want to 2 highlight for us is the allowance as a 3 percentage of accounts receivable. Do you see 4 that row? 5 A. Yes. 15:41:55 6 Q. That row, I think, if I read the 7 table right, notes that the Delaware Valley 8 Obligated Group percentage -- allowance, 9 rather, as a percentage of accounts receivable 10 has increased between year-end '95 and year-end 15:42:10 11 '96; is that right? 12 A. That's correct. 13 Q. From 13 to 17 percent? 14 A. Yes. 15 Q. Did this figure mean anything to 15:42:22 16 you or this change in figures mean anything to 17 you in connection with your '96 audit work? 18 A. Yes, that was an important measure 19 for us to evaluate in terms of the adequacy of 20 the reserve. 15:42:35 21 Q. Did the increase cause you to think 22 the reserve should be increased more than if 23 the percentage was not increasing? 24 MR. RYAN: Objection. 25 Q. Let me try that again because it 15:42:48</p>
<p style="text-align: right;">Page 214</p> <p>1 review the financial statements and the 2 footnote disclosure, make some sort of 3 assessment on whether the disclosure was 4 reasonable and whether the financial 5 information included in the document made sense 15:40:52 6 vis-a-vis their understanding of the tests that 7 were performed and the conclusions that were 8 reached. 9 Q. Is top side meant to be a term that 10 you use that is different from detailed review? 15:41:03 11 A. Yes. I mean, it's -- I'm not sure 12 if the auditing standard calls it a top side 13 analytic or global analytic, but there's some 14 sort of terminology that would indicate that 15 you would want some sort of review on the 15:41:21 16 document going down as opposed to looking at 17 detailed records and working your way up. 18 Q. Let me ask you just a few questions 19 then about the document itself 20 The first one is, to look at the, I 15:41:34 21 think the topic we were discussing just a few 22 moments ago, which I think is referred to under 23 the heading Patients Accounts Receivable on the 24 first page. Do you see that heading anyway? 25 A. Yes. 15:41:46</p>	<p style="text-align: right;">Page 216</p> <p>1 had too many uses of the word percentage. 2 Did this move of the percentage of 3 allowance as a -- I'll try it one more time. 4 Did this move from 13 percent and 5 17 percent from year-end '95 to year-end '96 15:43:07 6 cause you to think, all things else aside, that 7 the AHERF allowance for doubtful accounts 8 should be increased, decreased or stay the 9 same? 10 MR. RYAN: Objection. 15:43:18 11 A. Based on this particular 12 evaluation -- we still concluded that the 13 reserve had to be increased, but it gave us 14 comfort because, in effect, management had 15 identified that the reserve level, if you will, 15:43:32 16 between '95 and '96 should increase. And they 17 did increase it. 18 Q. So this move in percentages 19 mitigated towards increasing the reserve, in 20 your opinion? 15:43:46 21 MR. RYAN: Objection to form. 22 A. I'm not sure I understand your 23 question. 24 Q. When you read this change -- 25 A. Yes. 15:43:57</p>

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<p style="text-align: right;">Page 217</p> <p>1 Q. -- the allowance as a percentage of 2 accounts receivable at DVOG hospitals is going 3 up between the two fiscal years, right? 4 A. Yes. 5 Q. That going up, did that lead you to 15:44:05 6 think, all things else the same or aside, that 7 there ought to be a modification of the reserve 8 that is positive, increasing the reserve, or 9 did it not have any affect at all? 10 MR. RYAN: Objection. 15:44:24 11 A. We reached the conclusion -- well, 12 I'm going to try to answer your question in two 13 parts. If I'm not answering it, just interrupt 14 me. 15 This measure, this comparison of 15:44:44 16 the allowance to receivables at 17 percent and 17 the fact that it increased from 13 to 17 18 provided us with some comfort that management 19 was attempting to address their issue -- 20 besides trying to fix the processing issue, 15:44:59 21 they were trying to go through some sort of 22 rational assessment of what the reserve level 23 should be. 24 Q. That rational assessment led then 25 to actually increase the allowance as a percent 15:45:11</p>	<p style="text-align: right;">Page 219</p> <p>1 person? 2 A. I made that suggestion. The 3 suggestion wasn't made simply on the receivable 4 level. It was made near the end of the audit. 5 And we had perhaps seven or ten items that we 15:46:28 6 were talking to management about that either 7 would have found their way on to our SUD or 8 items that we thought they should consider. 9 The item that we had we felt was the most 10 important was the increase in their receivable 15:46:45 11 reserve. 12 Q. Who did you make the suggestion to? 13 A. Spargo. I believe that both 14 Cancelmi and Adamczak were in the meeting. 15 Mark and Amy were there. I want to say Brian 15:46:59 16 was there, but I'm not certain. And I'm not 17 sure if people stayed -- if all of those folks 18 were there for the entire meeting or session or 19 whatever you want to call it. It wasn't a 20 formal meeting. It was, quite frankly, a 15:47:12 21 discussion in an open area in the finance 22 department. As I recall, the first meeting was 23 probably after 5:00. 24 Q. Do you recall, it wasn't in a 25 conference room, it was just in a hallway? 15:47:26</p>
<p style="text-align: right;">Page 218</p> <p>1 of the outstanding receivable? 2 A. Yes. Now -- 3 Q. Please go ahead and finish. 4 A. I'm not done yet. 5 As I recall, we wanted that 15:45:22 6 percentage to increase to a greater level. It 7 was based on some other analytics that we 8 performed. 9 Q. That was -- 10 A. When I say we, I'm talking Brian, 15:45:38 11 Mark and myself. 12 Q. The percentage you refer to is the 13 '96 percentage? 14 A. Yes, yes, yes, the 17 percent here, 15 we wanted it to be higher. So, as a result, I 15:45:51 16 believe we suggested some sort of adjustment, 17 if you will, to increase the percentage. 18 Q. Do you recall that you suggested an 19 adjustment in a particular amount to AHERF 20 management or that they suggested an adjustment 15:46:08 21 in a particular amount? 22 A. No, we went to them and suggested 23 an increase of somewhere between 15 and 20 24 million dollars. 25 Q. Who made that suggestion, the 15:46:13</p>	<p style="text-align: right;">Page 220</p> <p>1 A. No, not in a hallway. They have -- 2 they had back then what I would -- a cubicle 3 area and a couple conference rooms and bullpen 4 area, if you will, that were all 5 interconnected. And it was somewhere in that 15:47:46 6 area there. 7 Q. Do you recall roughly when this 8 meeting took place, or this conversation took 9 place? Was it in August or September of '96? 10 A. It was -- well, it was either late 15:47:54 11 August or September. It was close to what I 12 would call the audit finalization or wrap-up 13 date. 14 Q. Was Mr. McConnell a participant? 15 A. No, I don't recall him being there 15:48:06 16 at all. 17 Q. Do you recall any reaction that 18 anyone at AHERF had to the suggestion that you 19 made of upping the reserve for the allowance -- 20 the allowance for doubtful accounts by 15 to 20 15:48:17 21 million dollars at AHERF hospitals? 22 A. We didn't get an argument from 23 them, let's put it that way. I mean, they 24 listened to us and understood where we were 25 coming from and indicated they would have to 15:48:29</p>

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<p style="text-align: right;">Page 221</p> <p>1 sit down and talk about it.</p> <p>2 Q Do you recall any follow-up meeting</p> <p>3 where, or conversation at which they told you</p> <p>4 the results of that follow-up or conversation?</p> <p>5 A Yes. I can't tell you if it was 15:48:45</p> <p>6 the next day or within two or three days, but</p> <p>7 some short period of time thereafter they got</p> <p>8 back to us with what I would call a proposal to</p> <p>9 adjust for three or four of the items or five</p> <p>10 of the items that we had on our list. That 15:49:01</p> <p>11 would include the receivables.</p> <p>12 Q Did they give you an amount for the</p> <p>13 allowance boost, the allowance for doubtful</p> <p>14 accounts?</p> <p>15 A They gave -- yes, they gave us a 15:49:14</p> <p>16 summary of what they would be willing to post,</p> <p>17 and I believe it was 17 million dollars.</p> <p>18 Q I've seen a number 17.5 million</p> <p>19 dollars in other depositions and other</p> <p>20 documents. Does that sound about right to you? 15:49:27</p> <p>21 A That's probably right.</p> <p>22 Q So the 15 to 20 range was yours and</p> <p>23 the 17.5 was AHERF's as the way the</p> <p>24 conversations played out?</p> <p>25 A Yes.</p>	<p style="text-align: right;">Page 223</p> <p>1 Capitalized interest on construction projects.</p> <p>2 Self insurance reserve liabilities. I would</p> <p>3 have to go down the list.</p> <p>4 Q That's fine.</p> <p>5 A But it would be -- it was those 15:51:08</p> <p>6 types of items.</p> <p>7 Q But to you the most important one</p> <p>8 was the boost that would be required to the</p> <p>9 allowance for doubtful accounts?</p> <p>10 A At that point in time, yes, in '96, 15:51:16</p> <p>11 yes.</p> <p>12 Q Your handwritten notes on Exhibit</p> <p>13 4394, at the bottom of the page, you note</p> <p>14 "Excess CRA, 10 to 20 million dollars." Do you</p> <p>15 know what that refers to today? 15:51:38</p> <p>16 A Those are notes that I -- someone's</p> <p>17 conveying information to me. I can't tell you</p> <p>18 if it's from the C&L team or if it's from</p> <p>19 somebody at AHERF.</p> <p>20 Q CRA is a cost rate adjustment 15:52:05</p> <p>21 account?</p> <p>22 A Yes.</p> <p>23 Q I'm handing you now, Mr. Buettner,</p> <p>24 Exhibit 4390. Do you recall reviewing this</p> <p>25 document at any point before today? It's 15:52:54</p>
<p style="text-align: right;">Page 222</p> <p>1 Q Thank you.</p> <p>2 Who conveyed that and to whom was</p> <p>3 it conveyed on the engagement team, the 17.5?</p> <p>4 A Well, I recall being at the client</p> <p>5 location when the decision was made. I don't 15:49:50</p> <p>6 know if Mark and Amy learned about it before I</p> <p>7 did or not.</p> <p>8 Q How did you learn of it then?</p> <p>9 A That's what I'm saying, I can't</p> <p>10 remember if they told me or Spargo told me. I 15:50:01</p> <p>11 don't know if Steve told me. But they already</p> <p>12 knew. I just don't remember.</p> <p>13 Q For the record, Steve is Mr.</p> <p>14 Spargo's first name?</p> <p>15 A Yes. 15:50:10</p> <p>16 Q You were comfortable and believed</p> <p>17 that 17.5 was a figure that Coopers & Lybrand</p> <p>18 would not take exception to, is that right?</p> <p>19 A Yes, that's right.</p> <p>20 Q Do you recall the other adjustments 15:50:30</p> <p>21 as you sit here today that were being</p> <p>22 discussed, the seven to ten other items, or</p> <p>23 what might be six to nine other items?</p> <p>24 A Well, there were items that we had</p> <p>25 on our SUD or would be posting to our SUD. 15:50:52</p>	<p style="text-align: right;">Page 224</p> <p>1 headed Delaware Valley inpatient days in A/R</p> <p>2 analysis, 6-30-96, and it's a Coopers & Lybrand</p> <p>3 work paper, I believe.</p> <p>4 A No, I can't say that I've seen this</p> <p>5 before. 15:53:12</p> <p>6 Q Let me hand you one more and ask</p> <p>7 you the same question. It's Exhibit 4391</p> <p>8 headed Delaware Valley outpatient days in A/R</p> <p>9 6-30-96. Have you seen this work paper before</p> <p>10 today? 15:53:25</p> <p>11 A No, I don't remember seeing it.</p> <p>12 Q Do you recall asking anyone on your</p> <p>13 engagement team or being aware that anyone on</p> <p>14 your engagement team had calculated something</p> <p>15 called days in accounts receivable? 15:53:42</p> <p>16 A Well, yes. I mean, I would expect</p> <p>17 the -- well, I would expect the client to be</p> <p>18 calculating this on an ongoing basis, and I</p> <p>19 would expect my engagement team to either look</p> <p>20 at their computation or go through their own 15:53:58</p> <p>21 computation.</p> <p>22 Q Do you recall the results of any</p> <p>23 such analysis separate and apart from looking</p> <p>24 at the documents? And look at them if you</p> <p>25 like. 15:54:08</p>

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<p style="text-align: right;">Page 225</p> <p>1 MR. RYAN: In 1996?</p> <p>2 MR. JONES: Yes.</p> <p>3 Q. That is the results of days in</p> <p>4 accounts receivable analysis.</p> <p>5 A. No. I mean, I remember it being a 15:54:21</p> <p>6 discussion point of something that we would go</p> <p>7 through and would be another item that we would</p> <p>8 factor into in terms of our overall assessment</p> <p>9 of the revenue function, the billing function</p> <p>10 at the -- in the west and in the east and 15:54:36</p> <p>11 reserve needs and things of that nature.</p> <p>12 Q. This may be a question you can't</p> <p>13 answer, but would you look at Exhibit 4390 for</p> <p>14 me and tell me if you, in your auditing</p> <p>15 experience with respect to healthcare 15:54:48</p> <p>16 enterprises, think that inpatient days in</p> <p>17 A/R -- the inpatient days in A/R calculated on</p> <p>18 Exhibit 4390 look high to you for the DVOG</p> <p>19 hospitals?</p> <p>20 A. Yes, they do look high. 15:55:04</p> <p>21 Q. They look high compared to AGH as</p> <p>22 well, is that right?</p> <p>23 A. That's correct.</p> <p>24 Q. What about outpatient on the next</p> <p>25 exhibit? 15:55:12</p>	<p style="text-align: right;">Page 227</p> <p>1 yes.</p> <p>2 Q. You considered it, and I think what</p> <p>3 you're telling me is that you understood, at</p> <p>4 least in your view, that part of the</p> <p>5 explanation for it was the less than stellar 15:56:51</p> <p>6 first-run success rate --</p> <p>7 A. Yes.</p> <p>8 Q. -- at billing?</p> <p>9 A. Correct. Sorry for interrupting</p> <p>10 your question. 15:57:04</p> <p>11 Q. That's okay.</p> <p>12 Do you recall comparing these days</p> <p>13 in A/R figures calculated for the Delaware</p> <p>14 Valley Obligated Group hospitals to any other</p> <p>15 set of hospitals, non AHERF hospitals in 15:57:17</p> <p>16 connection with your '96 audit work</p> <p>17 specifically?</p> <p>18 A. I would have done a general review,</p> <p>19 yes, just to compare -- to try to gain some</p> <p>20 sort of understanding or appreciation of what 15:57:36</p> <p>21 the overall basis would be. I walked away from</p> <p>22 that assessment or analysis with an</p> <p>23 understanding that the parameter, if you will,</p> <p>24 the days in A/R were high for the organizations</p> <p>25 in the east 15:57:56</p>
<p style="text-align: right;">Page 226</p> <p>1 A. Your question?</p> <p>2 Q. Do these DVOG hospitals appear to</p> <p>3 have, in your view, as you sit here today, high</p> <p>4 calculations as well for -- in this exhibit it</p> <p>5 appears to be bad debt as a percent of net 15:55:39</p> <p>6 patient service revenue?</p> <p>7 A. I'm sorry --</p> <p>8 MR. RYAN: Objection</p> <p>9 A. -- you've lost me there. A bad</p> <p>10 debt or -- 15:55:53</p> <p>11 Q. I'm sorry. You know what, I</p> <p>12 skipped and I apologize. 4391. It's the same</p> <p>13 question, days in A/R.</p> <p>14 Do the DVOG hospitals days in A/R</p> <p>15 look high to you in this exhibit as you sit 15:56:05</p> <p>16 here?</p> <p>17 A. Yes, they do.</p> <p>18 Q. Did this concern you in connection</p> <p>19 with your '96 audit work?</p> <p>20 MR. RYAN: Objection. 15:56:18</p> <p>21 A. This particular measurement was an</p> <p>22 item that we considered. First of all, we</p> <p>23 expected that they -- this number to be high if</p> <p>24 you can't get bills out correctly the first</p> <p>25 time. So it was an item that we considered, 15:56:30</p>	<p style="text-align: right;">Page 228</p> <p>1 Q. Do you recall any specific</p> <p>2 hospitals you compared them to?</p> <p>3 A. No. I compared -- there was a</p> <p>4 database that the firm provided to the staff</p> <p>5 that was available on Lotus notes. I believe 15:58:13</p> <p>6 it was the CHIPS database. I would go in there</p> <p>7 periodically and just, you know, run</p> <p>8 comparisons, if you will, of days in A/R or</p> <p>9 other measures. I would do that as part of</p> <p>10 this analytic review or top side review when I 15:58:31</p> <p>11 was going through the financial statements.</p> <p>12 Q. Was the CHIPS database available on</p> <p>13 line to auditors at C&L at this period of time?</p> <p>14 A. Yes, yes. It would have been a</p> <p>15 year or so old, obviously, in terms of the data 15:58:45</p> <p>16 that you were comparing it to, but, yes.</p> <p>17 Q. Now I want to turn to the bad debt</p> <p>18 expense metric I tried to steer you to</p> <p>19 prematurely a few moments ago.</p> <p>20 - - - - -</p> <p>21 (Thereupon, Deposition</p> <p>22 Exhibit 4461 was marked for</p> <p>23 purposes of identification.)</p> <p>24 - - - - -</p> <p>25 Q. This is Exhibit 4461, Mr. Buettner. 15:59:17</p>

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<p style="text-align: right;">Page 237</p> <p>1 Q. The typing apparently, or the font 2 apparently gets clear on later pages. But 3 there are payors listed on the left-hand 4 margin, is that fair to say, of the document? 5 A. Yes. 16:09:48 6 Q. When do you recall seeing this 7 document before today? 8 A. As I had indicated earlier, when 9 you provided me with some schedules that I 10 simply couldn't read, that I told Brian that he 16:10:01 11 was going to have to increase the font so that 12 I could sit down and perform some sort of 13 reasonable review with him. 14 He had put together some aging 15 schedules, and this is just a summary, I think, 16:10:15 16 of probably about 40 pages of printouts that he 17 generated of very long sheets that were, quite 18 frankly, in larger print than this. They were 19 eight and a half by 11. 20 Q. Yes. 16:10:31 21 A. And we sat down and over, as I 22 indicated, over a couple day period, day and a 23 half, whatever, when I sat down and talked to 24 Mark and Brian, we were going through 25 receivables, we were trying to dissect exactly 16:10:43</p>	<p style="text-align: right;">Page 239</p> <p>1 one day I was there probably all day. I felt 2 kind of bad for Brian because I had him running 3 around quite a bit getting information. 4 Q. This would have been then, again, 5 in the late August, early September time frame 16:12:12 6 and shortly before the meeting with Mr. Spargo 7 and others about your suggestion to up the 8 reserve? 9 A. Yes, yes. That all could have 10 occurred within a one-week period, let's say. 16:12:21 11 When I say one week, I don't mean Monday 12 through Friday, but within a five, six-day 13 period, yes. 14 Q. On the first page of the schedule 15 which we've newly marked -- would you do me the 16:12:34 16 favor of repeating back for me the exhibit 17 number? 18 A. 4463. 19 Q. On the first page of Exhibit 4463, 20 the lower right-hand corner of the document, 16:12:49 21 the figure appears at the very bottom under the 22 heading Total All Entries, Over 180 Days, and 23 the entry there is in a row for net A slash R; 24 is that right? 25 A. Yes. 16:13:05</p>
<p style="text-align: right;">Page 238</p> <p>1 what was going on here, how it tied into other 2 items that we thought were occurring from a 3 processing perspective, what Norb was coming 4 down with, what was the client doing in terms 5 of increasing reserves, what the client's 16:10:58 6 assessment was in terms of collectibility, if 7 they had any specific reasons on why certain 8 items should be ignored, written off. 9 So it was basically my -- these 10 pages, plus a few other pages, were basically 16:11:18 11 my work pad, if you will, during that period of 12 time when we were going through the review. 13 Q. This is the period of time during 14 which you came to the ultimate conclusion that 15 the reserve or the allowance -- the reserve or 16:11:31 16 the allowance for doubtful accounts needed to 17 be increased by 15 to 20 million dollars? 18 A. Yes, yes. 19 Q. These meetings were held primarily 20 with you and Mr. Kirstein and Mr. Christian 16:11:42 21 from time to time? 22 A. Yes. I mean, it was within a two, 23 three-day period, rather intense. I spent a 24 lot of time over at the client location. I had 25 other client responsibilities. But I think for 16:11:57</p>	<p style="text-align: right;">Page 240</p> <p>1 Q. The entry used to read something 2 like 72 million dollars. It has a line through 3 it, and then your handwriting, 50 million 4 dollars beneath it. Is that right? 5 A. 50,000, but yes. 16:13:16 6 Q. 50,000. But this schedule would 7 refer to -- is it 50,000 or 50 million? 8 A. I can't remember. I mean, as I 9 told you, we were going through a number of 10 assessments in terms of overall reserve 16:13:30 11 requirements and so on. 12 Q. So let me make sure -- I think I 13 understand your testimony. I want to make sure 14 that the record is clear. 15 The figure that is typewritten on 16:13:38 16 this schedule for all entities under net A/R 17 over 180 days is 72 million dollars and change? 18 A. Yes. 19 Q. That much is right? 20 A. Yes. 16:13:49 21 Q. What you've written in in 22 handwriting is the figure 50, five zero, 23 comma -- let me try that again. Five zero 24 comma, zero, zero, zero or 50,000, is that 25 right? 16:14:00</p>

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<p style="text-align: right;">Page 241</p> <p>1 A. Yes.</p> <p>2 Q. You don't know whether that meant</p> <p>3 to relate to 50,000 or 50 million as you sit</p> <p>4 here today?</p> <p>5 A. Yes. In all probability it relates 16:14:06</p> <p>6 to 50 million, but I honestly can't testify</p> <p>7 today because I'm not sure how that number was</p> <p>8 derived.</p> <p>9 Q. Do you recall considering whether</p> <p>10 net A/R -- the net A/R figure calculated by 16:14:19</p> <p>11 either the client or by C&L for all entities</p> <p>12 which reflected A/R over 180 days should be</p> <p>13 adjusted downward by any measure, by any sum in</p> <p>14 these Christian/Kirstein/Buettner meetings?</p> <p>15 A. Well, yeah, I think we had reached 16:14:38</p> <p>16 a conclusion that the reserve had to be</p> <p>17 increased by 15 to 20 million dollars, yes,</p> <p>18 sir.</p> <p>19 Q. So if having -- having given us the</p> <p>20 benefit of that, net A/R in your view is A/R 16:14:50</p> <p>21 after the allowance?</p> <p>22 A. Yes.</p> <p>23 Q. And, therefore, this roughly 22</p> <p>24 million dollar difference, if we assume for a</p> <p>25 minute that the 50,000 you wrote there meant 50 16:15:01</p>	<p style="text-align: right;">Page 243</p> <p>1 the first one?</p> <p>2 MR. RYAN: Objection to form.</p> <p>3 A. I'm not sure -- I don't see the</p> <p>4 difference.</p> <p>5 Q. Okay. I think if you look to the 16:16:25</p> <p>6 third page, maybe you'll see.</p> <p>7 The third page gives a total</p> <p>8 reserve figure of -- a total -- I'm sorry, net</p> <p>9 A/R figure, total net A/R figure for all</p> <p>10 entities at over 180 days at 92 million 16:16:38</p> <p>11 dollars.</p> <p>12 A. M-hm.</p> <p>13 Q. Do you know why there would be two</p> <p>14 different figures in these schedules?</p> <p>15 A. I don't know. 16:16:45</p> <p>16 MR. RYAN: Objection.</p> <p>17 A. I don't know.</p> <p>18 MR. JONES: Let's take our last</p> <p>19 break of the day here. If we take a quick one,</p> <p>20 we may finish shortly after 5:00. 16:17:06</p> <p>21 THE VIDEOGRAPHER: Going off the</p> <p>22 record at 4:17.</p> <p>23 (Recess had.)</p> <p>24 THE VIDEOGRAPHER: We're back on</p> <p>25 the record at 4:34. 16:34:01</p>
<p style="text-align: right;">Page 242</p> <p>1 million, would be in the ballpark of the</p> <p>2 suggestion you were proposing, is that fair to</p> <p>3 say?</p> <p>4 MR. RYAN: Objection.</p> <p>5 A. You could say that, but I'm not 16:15:11</p> <p>6 sure that's what it meant. I just don't know.</p> <p>7 Q. You just don't know?</p> <p>8 A. I cannot remember.</p> <p>9 Q. That's fine. I'm going to ask you</p> <p>10 skip to the next page. 16:15:21</p> <p>11 Do you know what you're doing with</p> <p>12 the handwritten figures that appear in the</p> <p>13 first four columns with actual numbers in them</p> <p>14 at the base of the page on page 35634 as you</p> <p>15 sit here today? 16:15:35</p> <p>16 A. No, I can't remember.</p> <p>17 Q. Do you know why this second page</p> <p>18 appears to -- strike that.</p> <p>19 Do you know why -- what this second</p> <p>20 schedule is doing as compared to the first 16:16:01</p> <p>21 schedule as you sit here today?</p> <p>22 A. What page are you on?</p> <p>23 Q. I'm sorry, the second page of the</p> <p>24 exhibit, 4463. At your quick review here, can</p> <p>25 you tell me why this schedule is different than 16:16:12</p>	<p style="text-align: right;">Page 244</p> <p>1 Q. Mr. Buettner, could you look back</p> <p>2 at Exhibit 4463 for me, the last series of</p> <p>3 schedules we were reviewing at the time we</p> <p>4 broke. 4463, the net A/R schedule. Are you</p> <p>5 with me? 16:34:19</p> <p>6 A. Yes.</p> <p>7 Q. Regardless of which figure we</p> <p>8 choose, the roughly 72 million dollar figure</p> <p>9 for net A/R, all entities over 180 days, or the</p> <p>10 roughly 92 million dollar figure for net A/R 16:34:34</p> <p>11 all entities over 180 days, the schedule</p> <p>12 reflects that this amount is an amount</p> <p>13 outstanding and presumably owed to AHERF</p> <p>14 hospitals or other enterprises against which</p> <p>15 there is no reserve. 16:35:00</p> <p>16 Is that fair to say?</p> <p>17 MR. RYAN: Objection to form.</p> <p>18 A. Yes. Yes.</p> <p>19 Q. Did that fact or knowing that fact</p> <p>20 in connection with your '96 audit work cause 16:35:05</p> <p>21 you concern about the reserve or the allowance</p> <p>22 for doubtful accounts?</p> <p>23 MR. RYAN: Objection.</p> <p>24 A. As I stated previously, it would be</p> <p>25 an item that we would consider in evaluating 16:35:21</p>

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<p style="text-align: right;">Page 245</p> <p>1 the overall adequacy of the client's 2 established reserve. 3 Q. Did you evaluate this item as one 4 that would suggest that an enhancement to the 5 reserve should be made or an increase in the 16:35:34 6 reserve should be made? 7 A. I would conclude that it would tell 8 us that we would want to take a look at an 9 increase in the reserve, not a decrease in the 10 reserve. 16:35:48 11 Q. Thank you. That's where I was 12 going with the question. 13 You have testified for us a little 14 while ago about the year-end adjustment to the 15 allowance suggested by you in the range of 15 16:36:02 16 to 20 million dollars. I think I understand 17 from your testimony that that range of increase 18 came at the conclusion of a series of meetings 19 or a day or more of meetings with Mr. Christian 20 and Mr. Kirstein, is that right, that that's 16:36:22 21 when the suggestion crystallized in your mind? 22 A. Yes, that's when we made -- we had 23 reached our conclusion that the reserves should 24 be enhanced. 25 Q. And enhanced, in fact, in that 16:36:36</p>	<p style="text-align: right;">Page 247</p> <p>1 terms of the adequacy of that adjustment. 2 Q. Do you recall either one of them or 3 anyone else on the engagement team indicating 4 to you that they thought the adjustment should 16:37:59 5 be more, higher, more than 17.5 -- or more than 6 15 to 20 million dollars? 7 A. No, I don't remember any 8 conversations at all along those lines. 9 - - - - - 10 (Thereupon, Deposition 11 Exhibit 4464 was marked for 12 Purposes of identification.) 13 - - - - - 14 Q. Mr. Buettner, do you recall 16:38:47 15 documenting anywhere in the work papers or 16 elsewhere, for that matter, the suggestion of 17 increasing the allowance for doubtful accounts 18 at AHERF hospitals by 15 to 20 million for 19 fiscal year '96? 20 MR. RYAN: Could I get that read 16:39:02 21 back, please? 22 (Record read.) 23 A. No, I don't, because I 24 believe the client ended up going 25 through that documentation process for 16:39:26</p>
<p style="text-align: right;">Page 246</p> <p>1 amount, or is that an amount or a range, 2 rather, that you came up with separate and 3 apart from any conversations you had with these 4 two gentlemen? 5 A. That I cannot remember. There were 16:36:52 6 a whole -- there were a variety of factors, a 7 lot of conversation, a lot of data that was 8 shared. The ultimate decision that was made 9 was my decision. 10 That decision was based on the 16:37:12 11 information I had seen, plus the information 12 that the staff had given me and what I also had 13 heard from the client. 14 Q. Did you -- do you recall sharing 15 your 15 to 20 million dollar recommendation 16:37:22 16 with Mr. Christian or Mr. Kirstein before the 17 meeting with AHERF at which you shared this 18 suggestion? 19 A. I think I did, but I can't remember 20 specifically. 16:37:35 21 Q. Do you recall as you sit here today 22 any difference of opinion between the three of 23 you about the number or the range? 24 A. No, I don't remember any comments, 25 adverse comments from their perspective in 16:37:49</p>	<p style="text-align: right;">Page 248</p> <p>1 us by booking the journal entry or by 2 increasing the reserves, let's say. 3 Q. Do you recall posting the amount 4 of -- any amount to the SUD? 5 A. After the client accepted the -- or 16:39:40 6 agreed to book the adjustment? No. 7 Q. Do you recall posting any amount 8 for an increase to the allowance for doubtful 9 accounts to the SUD at any time? 10 A. In 1996? 16:39:54 11 Q. Yes. 12 A. No. 13 Q. Is it your best recollection that 14 the suggestion of a 15 to 20 million dollar 15 increase in the allowance was not documented; 16:40:06 16 it was not written down in the work papers or 17 anywhere else? 18 MR. RYAN: Objection. 19 A. I believe it was written down to 20 the extent that the client had to book some 16:40:17 21 sort of adjustment to their financial 22 statements and on their general ledger, and the 23 staff reviewed that adjustment that was made, 24 and they documented the adjustment in the work 25 papers. 16:40:34</p>

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<p style="text-align: right;">Page 249</p> <p>1 Q. Let me see if I can break that down 2 because I think we're speaking past each other, 3 perhaps. 4 And I understand that ultimately a 5 17.5 million dollar adjustment was made by 16:40:43 6 AHERF and that that may be reflected in some 7 internal AHERF schedules or on the general 8 ledger, or it may not. 9 My question is really, do you 10 recall yourself or any member of your 16:40:57 11 engagement team committing the 15 to 20 million 12 dollar range suggestion that you made to Mr. 13 Spargo and others at the meeting towards the 14 end of the audit work in fiscal 1996 to paper? 15 A. No, not the range. I don't think 16:41:15 16 we would do that because the client accepted 17 the proposal that we had made in terms of an 18 adjustment that should be booked. So we 19 reflected the adjustment, not the proposed 20 adjustment. 16:41:33 21 Q. They accepted -- the client 22 ultimately, apparently, accepted, in your 23 testimony, anyway, a number within the range. 24 A. M-hm. 25 Q. They didn't accept 20, right? 16:41:41</p>	<p style="text-align: right;">Page 251</p> <p>1 this proposed adjustment? 2 A. If they have, I haven't seen it. I 3 wasn't aware of it, that they did that in 4 year-end '96. 5 Q. You haven't seen it up to and 16:43:03 6 including today, is that fair to say? 7 A. No, I've never seen a document of 8 that sort. 9 Q. So what I said was right, you 10 haven't seen it, am I correct? 16:43:10 11 A. Well, that's correct. Yes, I'm not 12 aware that such a document exists. I don't 13 know. 14 Q. I don't mean to follow that 15 testimony with this set of documents to suggest 16:43:18 16 that this is it. In fact, I have a different 17 question about this. So I just want to be 18 clear. 19 This is Exhibit 4464, sir. It is 20 what I understand to be a cover page that shows 16:43:32 21 a number of links within the CLASS system. 22 Then attached to it is a series of documents 23 that were produced to us in Bates order next to 24 these links that may or may not be reflected on 25 the face page. I just don't know for sure. 16:43:52</p>
<p style="text-align: right;">Page 250</p> <p>1 A. No. 2 Q. But they did accept some number 3 between 15 and 20? 4 A. Yes, yes, which under the 5 accounting rules is acceptable. 16:41:50 6 Q. Let me ask you this. Do you recall 7 creating documentation, ink or pencil on paper 8 or electronic documents, during your meetings 9 with Mr. Christian and Mr. Kirstein that 10 culminated in your recommendation of a 15 16:42:09 11 million to 20 million dollar reserve increase? 12 A. No, I don't remember doing that. 13 Q. Do you recall asking anyone -- let 14 me withdraw that. 15 Do you recall either of those 16:42:26 16 gentlemen creating documentation, that is 17 writing on paper or electronic documents or 18 other during this process? 19 MR. RYAN: Objection. 20 Q. Let me clear that up because it was 16:42:36 21 vague. 22 Do you recall Mr. Kirstein or 23 Mr. Christian writing down things on paper or 24 creating electronic documents that would 25 reflect the three of your conversations about 16:42:50</p>	<p style="text-align: right;">Page 252</p> <p>1 My question is based primarily on 2 testimony that we elicited from Mr. Kirstein 3 which he presented to you or Mr. Christian 4 presented to you, perhaps, in this meeting or 5 day or two of meetings that took place at 16:44:06 6 year-end of '96, a set of documents that 7 were -- that had been linked in the CLASS 8 system to review in connection with your 9 accounts receivable review at that point in 10 time. 16:44:19 11 Do you recall being provided with 12 something in that format? 13 A. Yes, yes. But there was some 14 information, as I had indicated earlier, 15 spreadsheets that were just very difficult to 16:44:26 16 review, too small, and I asked Brian to print a 17 vast majority of that information out. 18 Q. I'm going to ask you to look at the 19 face page of Exhibit 4464 and tell me if that 20 refreshes any recollection about a set of 16:44:42 21 documents that you may have received either 22 printed out or in an electronic format from the 23 CLASS system, at least by the way they're 24 described there. 25 Does that appear to you to be 16:44:51</p>

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IN THE UNITED STATES DISTRICT
COURT OF PENNSYLVANIA
WESTERN DIVISION

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF
ALLEGHENY HEALTH, EDUCATION
& RESEARCH FOUNDATION,

Plaintiff,

Vs. Civil Action No. 00-684.

PRICEWATERHOUSECOOPERS, LLP,

Defendant.

Continued videotaped deposition of
WILLIAM F. BUETTNER, called for examination
under the Applicable Rules of Federal Civil
Procedure, taken before me, Michele E. Eddy, a
Registered Professional Reporter and Notary
Public in and for the State of Ohio, pursuant
to notice and stipulations of counsel, at the
offices of Jones Day, 500 Grant Street, Suite
3100, Pittsburgh, Pennsylvania, on Thursday,
the 24th day of June, 2004, at 9:00 a.m.

VOLUME III

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William F. Buettner

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<p style="text-align: right;">Page 598</p> <p>1 "Problems, HU slash MCP," and then the last 2 bullet point, charged -- "charged off against 3 80 million," and then beneath that, "compare 4 '97 versus '96." 5 Did I read your handwriting right? 10:09:52 6 A. Yes. 7 Q. Do you recall discussing these 8 items in a meeting in the early June time 9 frame, '97? 10 A. Yes. 10:10:05 11 Q. Who was in the meeting? 12 A. Members of the C&L AHERF engagement 13 team. 14 Q. Do you know who in particular or is 15 that something that would be too much of a 10:10:18 16 memory test? 17 A. Well, I believe that Amy would be 18 there, perhaps Mark. 19 God bless you. 20 Perhaps Mark Kirstein, perhaps 10:10:31 21 Christa Porter. 22 Just looking at the notes, it 23 appears that they're giving me a run-down of 24 where we stood on the engagement after 25 performing our preliminary work, if you will, 10:10:49</p>	<p style="text-align: right;">Page 600</p> <p>1 dollars of receivables. 2 Q. Charged off means written off the 3 books? 4 A. Yes, written off of the, in effect, 5 written off of what I would call the A/R 10:12:11 6 subsidiary ledger. 7 Q. Which subsidiaries did you 8 understand to be involved as of this time 9 period, June of '97? 10 A. When I say subsidiary ledger, I'm 10:12:20 11 not talking about a company. I'm talking 12 about -- there's a term within the, let's say 13 the bookkeeping kingdom, if you will, that you 14 have a general ledger and then you have 15 subsidiary ledgers. 10:12:39 16 So in this particular case, the 17 accounts receivable detailed listing or 18 accounts receivable subsidiary ledger 19 charge-offs occurred so that the names of the 20 individuals whose accounts were being charged 10:12:51 21 off would be eliminated from those subsidiary 22 ledgers. That's what I meant. 23 Q. Thank you. Thank you. 24 My question, then, I need to 25 rephrase. 10:13:00</p>
<p style="text-align: right;">Page 599</p> <p>1 and things that we would have to get done, 2 either remaining work for preliminary or things 3 that we would have to look at for year-end. 4 Q. What do you recall hearing about or 5 discussing with respect to the aging versus the 10:11:04 6 reserve, if anything, today? 7 A. I don't recall anything -- anything 8 specific. 9 Q. Do you recall anything about 10 revenue problems or bad debt -- rather, bad 10:11:18 11 debt problems at Hahnemann University Hospital 12 or MCP Hospital? 13 A. I don't recall any specific 14 conversation. 15 Q. What about the item under bad debt 10:11:29 16 which starts or reads, rather, "Charged off 17 against 80 million"? What do you recall about 18 conversations on that topic, if anything, 19 today? 20 A. Nothing specific. 10:11:47 21 Q. Do you recall -- I'm sorry, go 22 ahead. 23 A. At some point in time, I believe 24 before this meeting, I learned the AHERF 25 management had charged off around 80 million 10:11:59</p>	<p style="text-align: right;">Page 601</p> <p>1 Did you have an understanding in 2 June of '97 about which sets of hospitals, 3 which sets of AHERF hospitals were involved in 4 having 80 million dollars of accounts 5 receivable written off? 10:13:13 6 A. I believe my understanding at the 7 time was that that was related to the eastern 8 operations, and that would include the 9 write-off of certain accounts, if you will, 10 that were maintained on old systems because of 10:13:31 11 systems conversion. 12 Q. Was that the PATCOM system that 13 you're referring to there? 14 A. Yes. I didn't write it here, but 15 that was my understanding, that that was a part 10:13:39 16 of the 80 million. 17 Q. That PATCOM system was in place at 18 some point at hospitals that were members of 19 the Delaware Valley Obligated Group, is that 20 correct? 10:13:52 21 A. Yes, I believe that's the case. 22 Q. When there is a charge-off or a 23 write-off of accounts receivable, what happens 24 with the bad debt reserve? 25 A. Well, it would -- management can 10:14:05</p>

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<p style="text-align: right;">Page 602</p> <p>1 actually handle a charge-off in two different 2 ways. The first method is to write off the 3 account off of, again, the subsidiary accounts 4 receivable ledger. So you're eliminating 5 people's names in terms of potential debtors to 10:14:22 6 the organization. 7 When you write it off, you reflect 8 that write-off via a reduction of your 9 allowance for uncollectible accounts or bad 10 debt reserve. 10:14:35 11 Another methodology that you could 12 follow is to write off the receivable in a 13 similar fashion but, instead of reducing the 14 reserve, simply charge it against the bad debt 15 expense of the organization for that particular 10:14:50 16 year. 17 Q The bad debt expense is reflected 18 on the income statement? 19 A. Yes. 20 Q. Do you have a recollection today as 10:14:56 21 to which of those options, if either, AHERF 22 employed? 23 MR. RYAN: For the 80 million? 24 MR. JONES: Yes. 25 A. I can't tell you. 10:15:09</p>	<p style="text-align: right;">Page 604</p> <p>1 A. I'm not sure if it was low or below 2 the max. My -- I just can't remember. 3 Q. Do you know as you sit here today 4 who took the lead at the managerial level on 5 the engagement team in accounts receivable for 10:17:14 6 fiscal year '97? 7 A. I believe that was Amy Frazier. 8 - - - - - 9 (Thereupon, Deposition 10 Exhibit 4473 was marked for 11 purposes of identification.) 12 - - - - - 13 Q. Mr. Buettner, I'm handing you 14 Exhibit 4473. I believe you've seen this 15 document before. But the first page of it is a 10:18:02 16 typewritten document headed Allegheny Health, 17 Education and Research Foundation, 1997 audit 18 update, October 1, 1997. And then there are a 19 series of pages that follow, some of them 20 typewritten and some of them are handwritten 10:18:22 21 schedules. 22 Could you do me the favor of 23 looking at the document, and take a few moments 24 if you need it, and let me know if the 25 handwriting you believe to be all yours. 10:18:34</p>
<p style="text-align: right;">Page 603</p> <p>1 Q. Did a charge-off of that size cause 2 you some concern? 3 A. No. The organization historically 4 charged off amounts. The amounts were, in 5 1997, the 80 million dollars was larger than 10:15:39 6 what you would have seen let's say in previous 7 years. But it wasn't an unusual activity. 8 Historically you would see 9 charge-offs in the 40, 50 million dollar range, 10 let's say. So it was larger. But it -- it did 10:16:04 11 not provide me with concern as you asked me as 12 an item we would consider in terms of our 13 additional audit work. 14 Quite frankly, I viewed it as an 15 action that in a way gave me some comfort that 10:16:2 16 management was attempting to address these 17 accounts receivable problems that were 18 lingering. So from an auditor's perspective, 19 it gave me comfort that they're attempting to 20 address this issue on a variety of fronts. 10:16:43 21 Q. Do you recall the risk assessment 22 for accounts receivable in 1997 for your audit 23 work? 24 A. In our planning document? 25 Q. Yes. 10:16:55</p>	<p style="text-align: right;">Page 605</p> <p>1 A. Okay. 2 Q. Do you believe the handwriting on 3 the document is all yours, sir? 4 A. Yes, I do. 5 Q. Was this handwriting placed on the 10:19:45 6 document all at one time or at different times? 7 MR. RYAN: You mean all of the 8 pages? 9 MR. JONES: Yes. 10 Q. If you know. 10:19:55 11 A. At different times. 12 Q. Let me ask you then in particular, 13 do you know when you did the handwriting that 14 appears at pages 36437, 36438, and the pages 15 that follow through to 36443? So it's 437 10:20:17 16 through 443. 17 A. These documents would have been 18 prepared at various times during what I would 19 call the wrap-up phase or the final review 20 phase of the AHERF engagement. 10:20:47 21 I can't put specific dates on them, 22 but some would be as, perhaps, as early as the 23 end of August and others would be sometime in 24 September or early October. 25 Q. Of 1997? 10:21:04</p>

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<p style="text-align: right;">Page 606</p> <p>1 A. Yes. Yes.</p> <p>2 Q. The wrap-up you referred to was the</p> <p>3 wrap-up of the '97 audit?</p> <p>4 A. Well, wrap-up of what I would call</p> <p>5 a draft -- final draft report going to the 10:21:16</p> <p>6 audit committee, yes.</p> <p>7 Q. That occurred in October?</p> <p>8 A. Yes.</p> <p>9 Q. Of '97?</p> <p>10 A. Yes, yes. 10:21:24</p> <p>11 Q. So all of these notes on the pages</p> <p>12 I just mentioned would have been penned before</p> <p>13 the audit committee meeting?</p> <p>14 A. Yes. Yes. Well, I would say 99</p> <p>15 percent of them. I can't speak to every -- 10:21:38</p> <p>16 every item because at the end of the</p> <p>17 engagement, these things ended up in my notes</p> <p>18 with the audit committee book as well. I</p> <p>19 continued to use this document as we went</p> <p>20 through subsequent events review and a final 10:21:5</p> <p>21 disposition of various issues and eventual</p> <p>22 release of the audit report after the holidays</p> <p>23 in 1997.</p> <p>24 Q. Is there anything in the notes from</p> <p>25 the beginning of the document to the end that 10:22:09</p>	<p style="text-align: right;">Page 608</p> <p>1 that mean early September 1997?</p> <p>2 A. No. Well, sometime in September or</p> <p>3 early October.</p> <p>4 Q. Is that your best approximation?</p> <p>5 A. Yes, yes 10:23:39</p> <p>6 Q. That's of 1997?</p> <p>7 A. Yes.</p> <p>8 Q. Thank you.</p> <p>9 Was this typewritten portion of the</p> <p>10 document, which apparently has one, two, three, 10:23:59</p> <p>11 forgive me here, four, five, six pages, and</p> <p>12 they're not all in order in the exhibit, but</p> <p>13 six pages of typewritten text, was it prepared</p> <p>14 for a meeting?</p> <p>15 A. Yes. Well, yes, it was prepared 10:24:18</p> <p>16 for a meeting and also to assist the managers</p> <p>17 and partners in performing, again, what I would</p> <p>18 call this top side review of the financial</p> <p>19 statements. We prepared a similar document in</p> <p>20 '96. 10:24:37</p> <p>21 The engagement team would prepare</p> <p>22 this. I don't know if this is the final</p> <p>23 draft -- final copy of the document. There</p> <p>24 were various drafts. I believe I was given an</p> <p>25 earlier draft and I was using it as I was 10:24:46</p>
<p style="text-align: right;">Page 607</p> <p>1 you now see and recall as being penned after</p> <p>2 October of -- after the audit committee meeting</p> <p>3 in October of 1997?</p> <p>4 A. Well, for instance, on page 433</p> <p>5 Q. Do you believe that to have been 10:22:28</p> <p>6 penned after the October audit committee</p> <p>7 meeting?</p> <p>8 A. No, no. But there are two or three</p> <p>9 numbers that are scratched out and then numbers</p> <p>10 circled. I believe I got that information at a 10:22:36</p> <p>11 later date. All I did was just update the</p> <p>12 schedule here because I was using this as --</p> <p>13 this information, if you will, during some</p> <p>14 subsequent events work as well.</p> <p>15 Q. Any other set of handwriting that 10:22:50</p> <p>16 you believe was added after October -- the</p> <p>17 October audit committee meeting?</p> <p>18 A. I can't remember specifically, no.</p> <p>19 Q. Let me ask you to look in</p> <p>20 particular now at pages 438 and 439. Do you 10:23:03</p> <p>21 know if these were penned in August of 1997?</p> <p>22 A. Probably a little later as I was</p> <p>23 going through some sort of what I would call</p> <p>24 top side review of financial statements.</p> <p>25 Q. When you say a little later, does 10:23:26</p>	<p style="text-align: right;">Page 609</p> <p>1 trying to put together some additional analysis</p> <p>2 for the audit committee meeting in performing</p> <p>3 my review of the financials</p> <p>4 Q. So you were using the typewritten</p> <p>5 version that does -- the typewritten pages that 10:24:56</p> <p>6 do appear in Exhibit 4473 in connection with</p> <p>7 your review of the draft financial statements</p> <p>8 and to prepare for the audit committee meeting?</p> <p>9 A. Yes, yes.</p> <p>10 Q. Thank you. 10:25:09</p> <p>11 I'm going to ask -- going to ask</p> <p>12 you to look at page 431 for a minute.</p> <p>13 Do you see about midway down the</p> <p>14 page there's a bullet point that reads, "Also</p> <p>15 during 1997, the AHERF system adopted a uniform 10:25:26</p> <p>16 bad debt reserve methodology." Then it</p> <p>17 continues. Do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. Do you recall that being the case?</p> <p>20 A. Yes, they, "they" being AHERF 10:25:41</p> <p>21 management, attempted to implement the comment</p> <p>22 that we had given to them I guess in 1995</p> <p>23 originally.</p> <p>24 Q. Do you recall that the new</p> <p>25 methodology involved the application of new 10:25:54</p>

14 (Pages 606 to 609)

<p style="text-align: right;">Page 614</p> <p>1 A. My engagement team informed me of 2 the fact that they had discovered these 3 transfers or were told about these transfers. 4 Q. Who on the engagement team told 5 you? 10:31:01 6 A. Amy Frazier. 7 Q. Do you recall where you were when 8 she told you? 9 A. I think it was during a visit 10 over -- a visit of mine over at the work site 10:31:13 11 over at the AHERF finance area. And the 12 engagement team was over there working and I 13 had come in to see how the year-end had started 14 and what type of progress we were making, 15 things of that nature. 10:31:26 16 Q. Do you recall what she said when 17 she told you? Let me ask you to hold that 18 thought for a minute because I want to ask one 19 question first. 20 Do you recall whether anyone else 10:31:45 21 was present? 22 A. No. It was -- we were in a working 23 space cubicle area where Coopers' folks were, 24 in effect, stationed. I'm not sure if there 25 were other people from C&L around or not when 10:31:56</p>	<p style="text-align: right;">Page 616</p> <p>1 using that memo to -- as a focal point in terms 2 of providing -- or performing her purchase 3 adjustment work, if you will. That's the 4 document that she showed me. 5 Q. This was a memo from Mr. Cancelmi 10:33:35 6 dated roughly June of 1997? 7 A. I can't remember what the date of 8 the memo was. 9 Q. Do you recall it was a memo from 10 Mr. Cancelmi? 10:33:46 11 A. I think it was, yes. 12 Q. Did you -- did she tell you how she 13 came to have the memo in this first 14 conversation? 15 A. I don't remember. 10:33:59 16 Q. What did you say, if anything, in 17 response to her telling you this? 18 A. I basically told her that they 19 couldn't do that. I mean, just from a -- they 20 couldn't move a purchase transaction over and 10:34:15 21 use it for bad debt reserve at Delaware Valley. 22 Q. Did you give her any instructions 23 after telling her that? 24 A. I told her to talk to Dan about it 25 and tell her -- tell him that we wouldn't 10:34:25</p>
<p style="text-align: right;">Page 615</p> <p>1 we had this conversation. I simply can't 2 remember. 3 Q. What is it now that you do recall 4 her telling you? 5 A. She was going through her 10:32:08 6 assessment, if you will, preliminary assessment 7 of some of the purchase adjustments, I guess. 8 We were trying to get information on the 9 purchase adjustments for Graduate. 10 That was an item that was an 10:32:22 11 important item for us and an item that had 12 been -- that we had been asking the client for 13 since probably May or June or -- and we were 14 just starting to get some information. 15 I guess through that initial 10:32:42 16 investigation, she became aware of this 50 17 million dollar reserve that had been created as 18 part of the Graduate purchase adjustments. 19 The intent to, I believe, based on 20 the document she showed me, to be transferred 10:33:02 21 to DV A/R, I believe, was that what the 22 document said, or something to that effect. 23 Q. She showed you a document? 24 A. There was a memo, I believe, from 25 an AHERF -- an AHERF memo and she was sort of 10:33:19</p>	<p style="text-align: right;">Page 617</p> <p>1 accept the reserves over the Delaware Valley. 2 Q. Do you remember any more -- do you 3 remember anything more about that conversation? 4 MR. RYAN: The one he had with Amy? 5 MR. JONES: Yes. 10:34:44 6 A. We talked about a variety of other 7 items. 8 Q. I'm sorry, let me give you a little 9 more focus. 10 A. Okay. 10:34:54 11 Q. Do you remember any more 12 discussions that you had about this reserve 13 transfer issue with Amy during this first 14 conversation? 15 A. No, no. 10:35:01 16 Q. Was your initial reaction that 17 these transfers were violations of GAAP or 18 would have violated GAAP? 19 A. Well, my initial reaction was to 20 provide or to get additional information so I 10:35:21 21 could provide some sort of guidance to my staff 22 and reach a conclusion. 23 Q. But you just said you told Amy to 24 tell Dan that we wouldn't accept it. So your 25 initial reaction was that there was at least a 10:35:33</p>

16 (Pages 614 to 617)

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<p style="text-align: right;">Page 618</p> <p>1 problem here?</p> <p>2 A. Well, my initial reaction, as I</p> <p>3 said, is that we would not accept the use of</p> <p>4 those reserves in evaluating the Delaware</p> <p>5 Valley accounts receivable. 10:35:45</p> <p>6 Q. Do you believe that the entries or</p> <p>7 the series of accounting transactions violated</p> <p>8 GAAP today?</p> <p>9 A. Oh, yes, yes.</p> <p>10 Q. You believed it at the conclusion 10:35:58</p> <p>11 of your '97 audit work, is that fair to say?</p> <p>12 A. Yes, I believe that the transfers</p> <p>13 in and of themselves were a departure from</p> <p>14 GAAP.</p> <p>15 Q. Did you ever tell anyone at AHERF 10:36:12</p> <p>16 that you believed that they were a departure</p> <p>17 from GAAP?</p> <p>18 A. Yes, we told people at AHERF.</p> <p>19 Q. Did you?</p> <p>20 A. No. I mean, Amy had, my 10:36:25</p> <p>21 understanding, numerous conversations with</p> <p>22 Cancelmi. I'm not sure if anyone else was in</p> <p>23 the room with them when they went through that</p> <p>24 discussion. But it was -- they were well aware</p> <p>25 that we would not accept the premise that they 10:36:42</p>	<p style="text-align: right;">Page 620</p> <p>1 Trustees at AHERF before June of '98?</p> <p>2 A. No.</p> <p>3 During our audit committee meetings</p> <p>4 in October of '97, for instance, I was aware of</p> <p>5 the transfer. But by then I had completed 10:38:03</p> <p>6 sufficient audit work and had concluded that</p> <p>7 the transfers were not material and did not</p> <p>8 warrant disclosure to the audit committee.</p> <p>9 Q. Did you share your discovery from</p> <p>10 Miss Frazier about these 50 million dollars of 10:38:52</p> <p>11 reserve transfers with the concurring partner</p> <p>12 on the engagement at any time during the '97</p> <p>13 audit work?</p> <p>14 A. I did not. It's my understanding</p> <p>15 that Amy discussed the purchase transactions 10:38:57</p> <p>16 for Graduate, Forbes and Allegheny Valley with</p> <p>17 the concurring partner and that that would have</p> <p>18 been included in those discussions.</p> <p>19 Q. How did you come to that</p> <p>20 understanding? 10:39:10</p> <p>21 A. Just based on my discussions with</p> <p>22 Amy. I mean, I -- what had happened is we had</p> <p>23 a meeting set up where the three of us would</p> <p>24 get together to go through a preliminary</p> <p>25 review. The three of us being the concurring 10:39:23</p>
<p style="text-align: right;">Page 619</p> <p>1 could use those reserves to support the bad</p> <p>2 debt reserves at the Delaware Valley.</p> <p>3 Q. They were well aware, if they were</p> <p>4 well aware, from conversations with Amy as far</p> <p>5 as you know? 10:36:58</p> <p>6 A. Yes.</p> <p>7 Q. Did you ever tell anyone at AHERF</p> <p>8 that you were aware of the reserve transfers?</p> <p>9 MR. RYAN: This one that we --</p> <p>10 MR. JONES: The 50 million dollars 10:37:11</p> <p>11 that we've just been speaking of.</p> <p>12 A. I can't recall discussing it with</p> <p>13 anyone else.</p> <p>14 Q. Do you recall discussing with</p> <p>15 anyone on the audit committee or any member of 10:37:17</p> <p>16 the Board of Trustees at AHERF?</p> <p>17 A. At what point in time?</p> <p>18 Q. Through June -- June of '98.</p> <p>19 Let's make that May of '98 because</p> <p>20 I see where you're thinking. 10:37:36</p> <p>21 A. Yes. Yes.</p> <p>22 Q. Did you ever discuss the fact that</p> <p>23 the reserve transfers in the 50 million dollar</p> <p>24 amount we've been discussing occurred with</p> <p>25 anyone on the audit committee or the Board of 10:37:45</p>	<p style="text-align: right;">Page 621</p> <p>1 partner, myself and Amy.</p> <p>2 We were going to attempt to do that</p> <p>3 over at the AHERF financial department, if you</p> <p>4 will, while the staff was still trying to wrap</p> <p>5 up some work. Unfortunately I guess another 10:39:36</p> <p>6 client matter pulled Mr. Hoover away, couldn't</p> <p>7 make that commitment, so Amy met with</p> <p>8 Mr. Hoover at a later date.</p> <p>9 Q. Did you discuss the fact of these</p> <p>10 50 million dollars of reserve transfers with 10:39:49</p> <p>11 anyone else on the engagement team other than</p> <p>12 Miss Frazier during the '97 audit work?</p> <p>13 A. I simply can't -- I don't know. I</p> <p>14 can't remember.</p> <p>15 Q. Do you recall a meeting in early 10:40:32</p> <p>16 April of 1997, within the first two weeks of</p> <p>17 April of 1997, with Mr. McConnell and Mr.</p> <p>18 Spargo at which the topic of potential</p> <p>19 transfers of reserves established in connection</p> <p>20 with the Graduate acquisition -- let me try 10:40:54</p> <p>21 that question again.</p> <p>22 Do you recall being in a meeting</p> <p>23 with Mr. McConnell and Mr. Spargo within the</p> <p>24 first two weeks of April 1997 at which the</p> <p>25 topic of reserve transfers of any kind from the 10:41:10</p>

17 (Pages 618 to 621)

<p style="text-align: right;">Page 622</p> <p>1 Graduate hospitals to the Delaware Valley</p> <p>2 Obligated Group hospitals was raised?</p> <p>3 A. I do not recall such a meeting.</p> <p>4 Q. Do you recall ever hearing from Mr.</p> <p>5 Kirstein in April or May of 1997 that he had 10:41:25</p> <p>6 been approached by any member of AHERF</p> <p>7 financial -- AHERF financial's department or</p> <p>8 AHERF management about such a proposal?</p> <p>9 A. No, I don't remember talking to</p> <p>10 Mark about that. 10:41:43</p> <p>11 Q. Do you ever recall discussing with</p> <p>12 Mr. McConnell or Mr. Spargo at any time that</p> <p>13 the Graduate acquisition afforded AHERF an</p> <p>14 opportunity to remedy its bad debt reserve</p> <p>15 issues in the Delaware Valley Obligated Group? 10:42:11</p> <p>16 A. No.</p> <p>17 Q. Or words to that effect?</p> <p>18 A. No. I had discussions with Mr.</p> <p>19 McConnell at some point in time. I can't place</p> <p>20 it in April. And I also had discussions with 10:42:25</p> <p>21 Mr. Spargo and Cancelmi at a much earlier date</p> <p>22 about the possibility of going through a</p> <p>23 restructuring at Graduate so that once the</p> <p>24 Graduate organization was merged into AHERF,</p> <p>25 that it would be accretive to the operations of 10:42:47</p>	<p style="text-align: right;">Page 624</p> <p>1 understand the copy is difficult, but it was</p> <p>2 the best one we were supplied.</p> <p>3 A. Yes.</p> <p>4 Q. Thank you, sir.</p> <p>5 Do you write your own -- in this 10:46:28</p> <p>6 time period and on this document, or the</p> <p>7 original of this document, did you write your</p> <p>8 own notes about appointments and the like?</p> <p>9 A. Yes. My secretary, if she made an</p> <p>10 appointment, I would jot it down here so I 10:46:49</p> <p>11 would try to control my own calendar within</p> <p>12 that perspective. But she may make an</p> <p>13 appointment for me absent the information I put</p> <p>14 in this booklet.</p> <p>15 Q. Did you make a habit of writing 10:47:03</p> <p>16 through in squiggly lines when an appointment</p> <p>17 had been passed or a date had been passed,</p> <p>18 anyway?</p> <p>19 A. Yes, either I went to the</p> <p>20 appointment, I made the phone call, or 10:47:16</p> <p>21 something got changed and it was no longer</p> <p>22 relevant. So the fact that it's crossed out</p> <p>23 doesn't necessarily mean the event occurred.</p> <p>24 It just means that it was rescheduled or</p> <p>25 cancelled. 10:47:29</p>
<p style="text-align: right;">Page 623</p> <p>1 AHERF going forward and, in effect, help AHERF</p> <p>2 meet whatever financial objectives they would</p> <p>3 have.</p> <p>4 Q. What does the word accretive mean</p> <p>5 to you? 10:43:03</p> <p>6 A. That means it would help -- it</p> <p>7 would be increasing net unrestricted assets, if</p> <p>8 you will, or a change in net unrestricted</p> <p>9 assets for the AHERF system.</p> <p>10 MR. JONES: Let's take a quick 10:43:21</p> <p>11 break here because we have to change tapes.</p> <p>12 THE VIDEOGRAPHER: We're going off</p> <p>13 the record at 10:43.</p> <p>14 - - - - -</p> <p>15 (Thereupon, Deposition</p> <p>16 Exhibit 4474 was marked for</p> <p>17 purposes of identification.)</p> <p>18 - - - - -</p> <p>19 (Discussion off the record.)</p> <p>20 THE VIDEOGRAPHER: We are back on 10:45:42</p> <p>21 the record at 10:45.</p> <p>22 Q. Mr. Buettner, I'm going to hand you</p> <p>23 what we just marked as Exhibit 4474. Do you</p> <p>24 recognize this as an excerpt from your calendar</p> <p>25 for the months of March and April 1997? I 10:45:57</p>	<p style="text-align: right;">Page 625</p> <p>1 Q. But the fact that it's crossed out</p> <p>2 does make it tougher to read, right?</p> <p>3 A. Yes, yes, that's my way of managing</p> <p>4 open commitments, if you will.</p> <p>5 Q. I understand. 10:47:40</p> <p>6 Let me ask you to help me just a</p> <p>7 little bit. On March 6th, the entry for March</p> <p>8 6th, a Thursday, the upper right-hand corner of</p> <p>9 the first page of the document?</p> <p>10 A. Yes. 10:47:49</p> <p>11 Q. Does that appear to be AHERF that</p> <p>12 is written below the scribble, the word AHERF</p> <p>13 in your hand?</p> <p>14 A. On March 6th, Thursday the 6th,</p> <p>15 sir? 10:48:00</p> <p>16 Q. Yes.</p> <p>17 A. Yes.</p> <p>18 Q. When you wrote a meeting with AHERF</p> <p>19 management or AHERF finance department</p> <p>20 personnel down, did you typically list AHERF in 10:48:06</p> <p>21 the entry in this time period?</p> <p>22 MR. RYAN: You mean the word AHERF?</p> <p>23 MR. JONES: Yes, the word AHERF.</p> <p>24 A. I may have. It would depend -- it</p> <p>25 would depend on who I was meeting. I wasn't 10:48:22</p>

18 (Pages 622 to 625)

<p style="text-align: right;">Page 626</p> <p>1 trying to create a record, if you will. I was 2 just trying to provide me with information in 3 terms of a memory jogger. 4 Q. Let me ask you to look at the entry 5 for Wednesday, March 19th. Do you see that 10:48:34 6 entry? 7 A. Yes. 8 Q. Is that David McConnell in your 9 handwriting or an abbreviation for his name at 10 the bottom entry? 10:48:49 11 A. Yes, AHERF, 7:30 a.m., breakfast, 12 Duquesne Club, David McConnell dash LS Blair. 13 That would be Larry Blair. 14 Q. Did you frequently dine with Mr. 15 McConnell at the Duquesne Club? 10:49:03 16 A. No. As I testified to yesterday or 17 perhaps it was the first day of testimony, I 18 would meet with Mr. McConnell periodically, 19 once every four weeks, once every six weeks, 20 once every eight weeks, based on his either 10:49:22 21 desire to get together or my desire to get 22 together or, in this particular case, I think 23 it was Mr. Blair's desire to get together. 24 Q. My question is, were these meetings 25 from time to time at least at the Duquesne Club 10:49:34</p>	<p style="text-align: right;">Page 628</p> <p>1 planning for 1997. I'm not sure. 2 Q. Let me ask you to go back to March 3 25, a Tuesday, as a part of our calendar 4 review, and I hope the end of it. 5 Do you see a reference to Mr. 10:51:02 6 McConnell there? 7 A. Yes. 8 Q. Can you read what is beneath the 9 scribble under DMC? 10 A. It looks like 2:00 or 3:00 and then 10:51:10 11 I wrote down 3:00. 12 Q. On the very next day, we have a 13 Wednesday, March 26th, entry for AHERF with at 14 least Mr. Steve Spargo's name there? 15 A. Yes. 10:51:27 16 Q. Can you read anything else that's 17 beneath the scribble? 18 A. It says, "Financial statement 19 audit." 20 Q. Do you recall meeting with Mr. 10:51:32 21 McConnell on the 25th, Tuesday? 22 A. I may have. I don't recall 23 specifically. 24 Q. Do you recall meeting with Mr. 25 Spargo on the 26th? 10:51:42</p>
<p style="text-align: right;">Page 627</p> <p>1 with Mr. McConnell? 2 A. Some of them would have been at the 3 Duquesne Club, yes. 4 Q. Let me ask you to look at April for 5 just a moment. Can you read what's under 10:49:44 6 Monday, April 7th? 7 A. "Partners meeting, 8:00." I think 8 that's what it says. 9 Q. Can you read for me what's under 10 Wednesday, April 9th? Does that say Spargo? 10:50:01 11 A. With the lunch or -- 12 Q. Way down is all I can see. 13 A. Yes, there's Spargo there. 14 Q. Do you recall meeting with him on 15 that day? 10:50:17 16 A. I don't. 17 Q. How about Friday, April 11, does it 18 say AHERF on the right-hand corner of the page 19 at 10:00 a.m.? 20 A. Yes. 10:50:25 21 Q. Can you read anything beneath that? 22 A. Yes, "A-133 review, Graduate 23 pension, Amy Frazier." So taken from that, I 24 was apparently reviewing the A-133 report for 25 perhaps June of '96, or it may have been 10:50:43</p>	<p style="text-align: right;">Page 629</p> <p>1 A. I may have. Again, I can't 2 remember. 3 Q. Do you recall meeting with Mr. 4 Spargo on either Wednesday, April 9, or Friday, 5 April 11? 10:51:53 6 A. I can't remember if I met with him 7 on the 9th. I have it listed down here. On 8 the 11th there's nothing here that indicates 9 that I would have met with him. I may have. I 10 don't know. 10:52:12 11 Q. What about Mr. McConnell on either 12 day? 13 A. Well, looking at this document, I 14 can't tell if I met with him on either day. I 15 have -- well, if I can -- 10:52:22 16 Q. Sure. 17 A. It looks like on the 11th at some 18 point in the day I'm in Johnstown, Pennsylvania 19 because it indicates BT tax trip. BT was a 20 banking client, financial institution client of 10:52:40 21 mine located in Johnstown, Pennsylvania. So at 22 some point in time after, presumably after 23 10:00 in the morning I was in Johnstown, but 24 I -- I'm assuming that's what happened, 25 although it could have changed, again. 10:52:55</p>

19 (Pages 626 to 629)

<p style="text-align: right;">Page 630</p> <p>1 Q. Let me show you, Mr. Buettner, a 2 new exhibit, 4436, actually new to this 3 deposition, not new to the case. 4 These are a set of handwritten 5 notes I believe Mr. Kirstein has told us were 10:53:12 6 written in his hand. I have a particular 7 interest in asking you a question on the page 8 that ends with the Bates digit 45. 9 At the top of the page, Mr. 10 Kirstein has apparently written Dan C period 10:53:33 11 4-18, 4 slash 18, in a form that indicated to 12 him, I believe in his testimony, that that was 13 a date -- month and a day of the year. And 14 then next to that he has written Buettner slash 15 Frazier. 10:53:53 16 Do you see those, that line, 17 anyway, of text? 18 A. Yes, I do. 19 Q. Do you recall being in a meeting 20 with Mr. Kirstein and Mr. Cancelmi and Miss 10:54:02 21 Frazier on this date at which the Graduate 22 reserve transfers, as we've described them 23 today, were discussed? 24 A. No, I don't. 25 Q. Do you recall being a member or a 10:54:15</p>	<p style="text-align: right;">Page 632</p> <p>1 one of them in April of '97? 2 A. I just can't remember, no, I don't. 3 Q. Do you ever recall at any time 4 before late July or early August or early 5 August of 1997 connecting the establishment of 10:56:01 6 50 million dollars of reserves at the Graduate 7 hospitals with the 80 million charge-off you 8 knew to have occurred at the Delaware Valley 9 Obligated Group hospitals? 10 A. No, no. To this day I don't think 10:56:15 11 I've made a connection between the two, to be 12 honest with you. 13 Q. Do you see the next bullet point 14 there reads, "Placing reserves on Graduate 15 entities to be used for DV A slash R at Y slash 10:56:26 16 E or year-end"? 17 A. Yes, I -- I can't read his scribble 18 very well, but I think that's a fair depiction 19 of what he's trying to put down. 20 Q. Do you recall discussing that topic 10:56:47 21 with Mr. Cancelmi, Mr. Buettner, Mr. Frazier -- 22 you're Mr. Buettner -- Mr. Cancelmi, Miss 23 Frazier or Mr. Kirstein at any time before late 24 July or early August of 1997? 25 A. No, I don't. 10:56:59</p>
<p style="text-align: right;">Page 631</p> <p>1 party to a conference call on that date with 2 these individuals at which the Graduate reserve 3 transfers, as we've described them, or a 4 proposal relating to the Graduate reserve 5 transfers were discussed? 10:54:29 6 A. No, I don't. 7 Q. Do you recall discussing reserve 8 transfers of any kind with -- related to the 9 Graduate hospitals and the Delaware Valley 10 Obligated Group hospitals or a proposal to make 10:54:47 11 same with Mr. Cancelmi, Miss Frazier, or Mr. 12 Kirstein at any time in April of 1997? 13 A. I have no memory at all of talking 14 to them about such a transaction. Would we 15 have met during that time period? It's very 10:55:02 16 possible. But I just can't remember ever 17 discussing this issue with them at that point 18 in time. 19 Q. Do you see just below the halfway 20 portion of the page where the note reads, "50 10:55:26 21 million dollars reserves at Graduate, will have 22 80 million C/O in DV by 6-30-97"? 23 A. Yes, I see that. 24 Q. Do you recall discussing anything 25 related to that topic with these people or any 10:55:44</p>	<p style="text-align: right;">Page 633</p> <p>1 Q. Mr. Buettner, this is Exhibit 4258. 2 It's a fairly short work paper with some 3 Metadata, at least as we understand it, from 4 the CLASS system attached to it. 5 Do you recall ever seeing this 10:57:27 6 document before today? 7 A. No. 8 Q. Do you see on the first page, the 9 line about a third of the way down that reads, 10:57:59 10 "How was the first 25 of the 50 million 11 distributed to the entities, or did this occur 12 in April?" 13 Do you see that? 14 A. Yes, I do. 15 Q. Do you recall any discussions with 10:58:08 16 anyone on the engagement team or anyone at 17 AHERF regarding distributing 50 million dollars 18 to various entities in any context before July 19 or late July, early August of 1997? 20 A. No, I do not. 10:58:26 21 Q. Do you have an understanding or 22 have you learned from any source why the author 23 of this work paper or the authors would have 24 been writing about this in May of '97? 25 A. No, I haven't spoken to anyone 10:58:44</p>

20 (Pages 630 to 633)

<p style="text-align: right;">Page 634</p> <p>1 regarding this matter, so I have no idea.</p> <p>2 - - - - -</p> <p>3 (Thereupon, Deposition</p> <p>4 Exhibit 4475 was marked for</p> <p>5 purposes of identification.)</p> <p>6 - - - - -</p> <p>7 Q. Mr. Buettner, I'm handing you now</p> <p>8 Exhibit 4475. I apologize, it slipped out of</p> <p>9 my hand.</p> <p>10 A. That's okay. 10:59:32</p> <p>11 Q. Is the handwriting on this AHERF</p> <p>12 update meeting dated June 20, 1997 yours?</p> <p>13 A. Yes.</p> <p>14 Q. Do you believe that you put the</p> <p>15 handwriting on this document around that date, 10:59:46</p> <p>16 that is, close in time to June 20, 1997?</p> <p>17 A. Yes.</p> <p>18 Q. Thank you, sir.</p> <p>19 Is this a format as we've seen</p> <p>20 before that was typically used when the 11:00:02</p> <p>21 engagement team got together and met as an</p> <p>22 agenda?</p> <p>23 A. Yes, the engagement team put</p> <p>24 together information in terms of the overall</p> <p>25 status of the engagement and where we stood as 11:00:14</p>	<p style="text-align: right;">Page 636</p> <p>1 debt reserves in Pittsburgh or for</p> <p>2 Pittsburgh-based hospitals appeared adequate?</p> <p>3 A. No, I don't think that would be</p> <p>4 reflective of only bad debt reserves. It would</p> <p>5 be the reserves for receivables that would also 11:01:25</p> <p>6 include CRAs, contractals, things of that</p> <p>7 nature.</p> <p>8 Q. Do you have a recollection of what</p> <p>9 you meant by the phrase "DV levels flat"?</p> <p>10 A. Well, DV would be the eastern part 11:01:37</p> <p>11 of the operations. I guess someone told me</p> <p>12 that based on our assessment to date or what</p> <p>13 we've seen the A/R levels were flat.</p> <p>14 Q. Did you use DV for a short form for</p> <p>15 the Delaware Valley Obligated Group? 11:01:54</p> <p>16 MR. RYAN: You mean here in this</p> <p>17 document?</p> <p>18 Q. Here and elsewhere during your work</p> <p>19 on AHERF audits.</p> <p>20 MR. RYAN: Objection. 11:02:01</p> <p>21 A. Well, I would use east versus west,</p> <p>22 DV, AGH, DVOG.</p> <p>23 In my day-to-day observations or</p> <p>24 communications with folks, I would not use the</p> <p>25 formal name for a number of these 11:02:19</p>
<p style="text-align: right;">Page 635</p> <p>1 of the end of preliminary and would prepare</p> <p>2 this outline, if you will, of items to discuss.</p> <p>3 Q. Do you know who was in attendance</p> <p>4 at this June 20, 1997 AHERF audit update</p> <p>5 meeting? 11:00:30</p> <p>6 A. No, I do not.</p> <p>7 Q. Do you know if it took place on</p> <p>8 that day?</p> <p>9 A. No, I do not.</p> <p>10 Q. Do you know if any member of AHERF 11:00:37</p> <p>11 management or its finance department was in</p> <p>12 attendance?</p> <p>13 A. I am not certain. My best</p> <p>14 recollection is that some folks would be</p> <p>15 available from AHERF at this meeting, but I 11:00:51</p> <p>16 simply can't remember.</p> <p>17 Q. Do you see under the heading</p> <p>18 Accounts Receivable and Revenue Items you have</p> <p>19 written the words or abbreviations for the</p> <p>20 words Pittsburgh or PGH? 11:01:02</p> <p>21 A. Yes.</p> <p>22 Q. Levels down, "Reserves appear</p> <p>23 adequate"?</p> <p>24 A. Yes.</p> <p>25 Q. Is that a reference to that the bad 11:01:09</p>	<p style="text-align: right;">Page 637</p> <p>1 organizations. I mean, I normally would refer</p> <p>2 to things as to east and west, but sometimes I</p> <p>3 would use the word Delaware Valley.</p> <p>4 Q. You would use the word Delaware</p> <p>5 Valley or DV? 11:02:30</p> <p>6 A. Or the term Delaware Valley, I'm</p> <p>7 sorry.</p> <p>8 Q. Yes, use the term Delaware Valley</p> <p>9 or the initials DV for the Delaware Valley</p> <p>10 Obligated Group from time to time? 11:02:37</p> <p>11 A. Well, no. Delaware Valley would be</p> <p>12 a term for the east. It may or may not be</p> <p>13 Delaware Valley Obligated Group. It would be</p> <p>14 based on the conversation we're having and what</p> <p>15 specific items we would be talking about. 11:02:53</p> <p>16 Q. Here we have the phrase typed next</p> <p>17 to DV levels flat, "Impact of Graduate</p> <p>18 Reserve."</p> <p>19 Do you have any recollection of</p> <p>20 what that -- what the discussions were on that 11:03:07</p> <p>21 topic during this meeting as you sit here</p> <p>22 today?</p> <p>23 A. You mean the typed comment on the</p> <p>24 left-hand side?</p> <p>25 Q. Yes. 11:03:16</p>

21 (Pages 634 to 637)

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<p style="text-align: right;">Page 638</p> <p>1 A. No, I don't.</p> <p>2 Q. Pardon the pause, Mr. Buettner, but</p> <p>3 we're trying to make the day shorter.</p> <p>4 MR. RYAN: We will not object to</p> <p>5 that. 11:04:20</p> <p>6 MR. STROUP: Stipulated.</p> <p>7 Q. I'm handing you, Mr. Buettner, what</p> <p>8 we marked as Exhibit 4438. Is this the</p> <p>9 required communications letter from Coopers &</p> <p>10 Lybrand to the Board of Trustees at AHERF dated 11:04:45</p> <p>11 September 22nd, 1997?</p> <p>12 A. Yes.</p> <p>13 Q. Does this letter bear the Coopers &</p> <p>14 Lybrand signature penned by you?</p> <p>15 A. Yes. 11:05:01</p> <p>16 Q. Which I think you told us means</p> <p>17 that you read and approved it before it was</p> <p>18 sent?</p> <p>19 A. Yes.</p> <p>20 Q. Do you see under the heading 11:05:09</p> <p>21 Significant Audit Adjustments and Disagreements</p> <p>22 With Management, which appears at the second</p> <p>23 page of the letter, do you see those topics?</p> <p>24 A. Yes, yes.</p> <p>25 Q. Why is it today that you did not 11:05:25</p>	<p style="text-align: right;">Page 640</p> <p>1 The 50 million dollar transfer, as</p> <p>2 I testified to a little earlier today, in my</p> <p>3 opinion was not material. It had no impact on</p> <p>4 the consolidated financial statements of AHERF,</p> <p>5 and this letter refers to our audit of the 11:07:23</p> <p>6 consolidated statements of AHERF. No impact on</p> <p>7 key parameters or measurements within the AHERF</p> <p>8 system when you measure materiality. No impact</p> <p>9 on net unrestricted assets. No impact on</p> <p>10 working capital. No impact on total assets. 11:07:47</p> <p>11 I viewed the transfer as nothing</p> <p>12 more than a related party transaction that</p> <p>13 eliminated in consolidation.</p> <p>14 Q. You didn't -- let me try that one</p> <p>15 again. 11:08:04</p> <p>16 A couple headings up there's a</p> <p>17 section called errors, fraud or illegal act.</p> <p>18 Did you consider the transfer an</p> <p>19 error, these 50 million dollars' worth of</p> <p>20 transfers, an error, a fraud or an illegal act? 11:08:15</p> <p>21 MR. RYAN: Objection, compound.</p> <p>22 A. No.</p> <p>23 Q. Did you consider it an error?</p> <p>24 I apologize, sir, your counsel has</p> <p>25 made an objection, so I'm trying to make it 11:08:28</p>
<p style="text-align: right;">Page 639</p> <p>1 disclose the Graduate reserve transfers that</p> <p>2 you became aware of in late July or early</p> <p>3 August 1997 to the board in this letter under</p> <p>4 either of these headings?</p> <p>5 A. Well -- 11:05:45</p> <p>6 Q. Let me withdraw the question for a</p> <p>7 minute. Strike the today.</p> <p>8 What I mean to ask is why is it</p> <p>9 that you did not disclose to the board under</p> <p>10 either of these headings or in any other way 11:05:55</p> <p>11 the Graduate reserve transfers that you became</p> <p>12 aware of in July, late July or early August of</p> <p>13 1997?</p> <p>14 A. The disclosure requirements that</p> <p>15 are summarized, if you will, in this letter are 11:06:16</p> <p>16 presented in the auditing standards</p> <p>17 publications for the AICPA.</p> <p>18 When you go through this process of</p> <p>19 providing the board with specific information</p> <p>20 within the context of required communications 11:06:37</p> <p>21 with the audit committee, the items that you</p> <p>22 made reference to, significant audit</p> <p>23 adjustments and disagreements with management,</p> <p>24 relate to items that we would deem to be</p> <p>25 significant or material. 11:06:55</p>	<p style="text-align: right;">Page 641</p> <p>1 clear.</p> <p>2 Did you consider the 50 million</p> <p>3 dollars of reserve transfers an error?</p> <p>4 A. I considered it a departure from</p> <p>5 GAAP which was immaterial to the -- to the 11:08:36</p> <p>6 consolidated financial statements of AHERF and</p> <p>7 did not view the transfer as an error as</p> <p>8 outlined within the statement and auditing</p> <p>9 standards definitions, if you will.</p> <p>10 Q. It was a departure from GAAP but 11:08:55</p> <p>11 not an error in your view?</p> <p>12 A. A material error.</p> <p>13 Q. Did you consider it fraud?</p> <p>14 A. No.</p> <p>15 Q. Did you consider it illegal or an 11:09:09</p> <p>16 illegal act?</p> <p>17 A. No.</p> <p>18 Q. Did you have a disagreement with</p> <p>19 management, in your view, over the propriety of</p> <p>20 the application of an accounting principle to 11:09:23</p> <p>21 the transaction, the transfers being the</p> <p>22 transaction?</p> <p>23 MR. STROUP: I'm sorry, could you</p> <p>24 repeat that question?</p> <p>25 A. Yes, you've got to help me on the 11:09:32</p>

22 (Pages 638 to 641)

<p style="text-align: right;">Page 642</p> <p>1 question.</p> <p>2 Q. Let me help you by -- in this way.</p> <p>3 I think I'll address Steve's issue as well.</p> <p>4 I'm looking down with the</p> <p>5 disagreements with management -- to the 11:09:40</p> <p>6 disagreements with management portion of the</p> <p>7 letter.</p> <p>8 Are you with me?</p> <p>9 A. Yes.</p> <p>10 Q. It reads, "No disagreements with 11:09:49</p> <p>11 management arose during the audit with respect</p> <p>12 to the application of accounting principles to</p> <p>13 specific transactions."</p> <p>14 Do you see that language?</p> <p>15 A. Yes. 11:10:00</p> <p>16 Q. Did you believe that you had a</p> <p>17 disagreement with AHERF management about an</p> <p>18 application of an accounting principle to a</p> <p>19 specific transaction in light of the Graduate</p> <p>20 reserve transfers? 11:10:12</p> <p>21 A. Yes, but, if I can complete my --</p> <p>22 Q. Yes.</p> <p>23 A. The disagreements with management</p> <p>24 section here deals with material items. Every</p> <p>25 item that we would list on our SUD, if you 11:10:29</p>	<p style="text-align: right;">Page 644</p> <p>1 MR. RYAN: Objection.</p> <p>2 A. In my judgment, no.</p> <p>3 Q. No impact whatsoever?</p> <p>4 A. No.</p> <p>5 Q. Why is that? 11:11:55</p> <p>6 A. We reached the conclusion -- I</p> <p>7 reached the conclusion that the 50 million</p> <p>8 dollars that they had transferred was not</p> <p>9 needed in any way, shape or form at the</p> <p>10 Delaware Valley Obligated Group to support any 11:12:15</p> <p>11 type of reserve needs, whether for bad debt or</p> <p>12 whatever else.</p> <p>13 Q. The presentation, however, of the</p> <p>14 financial information on the Delaware Valley</p> <p>15 Obligated Group financial statements would have 11:12:29</p> <p>16 been different had the reserve transfers not</p> <p>17 taken place. Am I right?</p> <p>18 MR. RYAN: Objection.</p> <p>19 A. The presentation on the balance</p> <p>20 sheet would be slightly different if the 11:12:45</p> <p>21 transactions had not taken place.</p> <p>22 Q. Would the income statement or the</p> <p>23 statement of operations, the presentation of</p> <p>24 the numbers there have been different?</p> <p>25 A. No, not in my opinion. 11:12:56</p>
<p style="text-align: right;">Page 643</p> <p>1 will, the summary of unadjusted differences,</p> <p>2 would meet the definition of some sort of</p> <p>3 disagreement with management concerning the</p> <p>4 application of an accounting principle or to a</p> <p>5 specific transaction. 11:10:50</p> <p>6 The disclosure requirements for the</p> <p>7 audit committee relates only to those items</p> <p>8 that are deemed to be significant or material.</p> <p>9 As I testified earlier, the</p> <p>10 transfers had no impact on the consolidated 11:11:06</p> <p>11 financial statements for AHERF.</p> <p>12 Q. Did the transfers have an impact on</p> <p>13 the consolidating information for the Delaware</p> <p>14 Valley Obligated Group hospitals?</p> <p>15 MR. RYAN: We're still talking 11:11:21</p> <p>16 about the 50 million dollars?</p> <p>17 MR. JONES: Yes.</p> <p>18 A. You had a related party transaction</p> <p>19 that was reflected on the consolidating balance</p> <p>20 sheet. I can't think of any impact it would 11:11:35</p> <p>21 have on the other statements.</p> <p>22 Q. Did it have an impact on the income</p> <p>23 statement or the statement of operations for</p> <p>24 the Delaware Valley Obligated Group hospitals,</p> <p>25 the 50 million dollars of reserve transfers? 11:11:46</p>	<p style="text-align: right;">Page 645</p> <p>1 Q. Was the numbers that were different</p> <p>2 on the balance sheet for DVOG, or that would</p> <p>3 have been different had the transfers not</p> <p>4 occurred, numbers related to accounts</p> <p>5 receivable on the balance sheet -- 11:13:32</p> <p>6 MR. RYAN: I'm sorry.</p> <p>7 Q. -- in his testimony?</p> <p>8 MR. RYAN: I'm not sure I followed</p> <p>9 that, so can I get that read back?</p> <p>10</p> <p>11 (Record read.)</p> <p>12 Q. I meant to say were at the</p> <p>13 beginning of that sentence.</p> <p>14 MR. RYAN: I'm not sure I</p> <p>15 understand it, so I'll still object. 11:13:56</p> <p>16 A. Well, I'm not sure I understand it</p> <p>17 as well.</p> <p>18 We in terms of measuring the</p> <p>19 materiality would have looked at let's say</p> <p>20 working capital as a measure, and I don't 11:14:08</p> <p>21 believe the related party activity impacted</p> <p>22 working capital at all.</p> <p>23 Clearly there were certain items,</p> <p>24 numbers on the consolidating schedule that are</p> <p>25 different because the transfer was booked. But 11:14:19</p>

23 (Pages 642 to 645)

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<p style="text-align: right;">Page 646</p> <p>1 in my judgment, those differences were not 2 material and would not be misleading to a 3 person who's a reasonable reader, let's say, of 4 the financial statements. 5 Q. Was A/R, accounts receivable, for 11:14:33 6 DVOG, for the Delaware Valley Obligated Group, 7 so our abbreviations are understood, on the 8 consolidating balance sheet for DVOG -- or in 9 the consolidating balance sheet information for 10 DVOG understated by 50 million dollars in 1997? 11:14:53 11 A. I simply don't remember. You would 12 have to look at the statement. But the 13 consolidating statements I do not remember. 14 But my judgments were based on the 15 impact on net working capital and on the 11:15:07 16 overall presentation of the consolidating 17 financial information and whether there was a 18 material distortion of the consolidating 19 information. I arrived at a conclusion that it 20 did not knowing that it's consolidating 11:15:23 21 financial information without the benefit of 22 footnote disclosure and so on. 23 Q. How did you learn that AHERF would 24 not reverse the entries that you had taken 25 exception with through Miss Frazier? 11:15:46</p>	<p style="text-align: right;">Page 648</p> <p>1 Q. Did you understand that there 2 was -- let me withdraw that. 3 Did you post the 50 million dollar 4 reserve transfers that we've been discussing to 5 the SUD, the summary of unadjusted differences, 11:17:16 6 for 1997? 7 A. No. 8 Q. Or did anyone? 9 A. No, I have no idea what we would 10 post to the SUD. 11:17:22 11 Q. Why do you say that, sir? 12 A. Because the consolidated financial 13 statements reflect a consolidated position of 14 AHERF. This is a related party transaction 15 between two of the organizations within the 11:17:37 16 AHERF system. 17 As management prepared the 18 consolidated financial statements, the 50 19 million dollars would be eliminated in the 20 consolidation process just like every other 11:17:51 21 related party transaction between the 22 organizations would be related -- would be 23 eliminated in consolidation. 24 Q. You did have a difference with 25 management, though, about the appropriate 11:18:04</p>
<p style="text-align: right;">Page 647</p> <p>1 A. I believe Amy told me. 2 Q. How is it -- how did she describe 3 that to you? 4 A. She indicated to me she had a 5 number of meetings with Dan and -- Dan 11:16:02 6 Cancelmi -- and that they simply did not want 7 to reverse the transfer. 8 Q. Did she give you any explanation as 9 to why? 10 A. I can't recall specific 11:16:17 11 discussions. We had discussions on whether it 12 would be needed and so on. 13 During that period of time, we 14 agreed that we would go through an assessment 15 or we were going through an assessment of the 11:16:28 16 Delaware Valley or the AHERF consolidated bad 17 debt reserve calculation without the 50 million 18 dollars. 19 I told her I was going to go 20 through that assessment on my own, as well, so 11:16:43 21 that I could reach some sort of conclusion. It 22 was an item that we talked about through the 23 course of the audit with an understanding that 24 management didn't want to reverse this transfer 25 of related party transaction. 11:17:00</p>	<p style="text-align: right;">Page 649</p> <p>1 accounting for these reserve transfers, am I 2 right? 3 A. We had a difference in terms of the 4 transfer or the presentation of the reserves, 5 yes, on the consolidating schedule. 11:18:14 6 MR. JONES: Let's take our next 7 break here. 8 THE VIDEOGRAPHER: Going off the 9 record at 11:18. 10 (Recess had.) 11 - - - - - 12 (Thereupon, Deposition 13 Exhibit 4476 was marked for 14 purposes of identification.) 15 - - - - - 11:27:11 16 THE VIDEOGRAPHER: We're back on 17 the record, 11:34. 18 Q. Mr. Buettner, I'm handing you what 19 has been marked as Exhibit -- well, I handed 20 that to you before I wrote it down. Would you 11:34:56 21 tell me the number, sir? 22 A. 4476. 23 Q. Thank you, 4476. 24 MR. RYAN: I'm sorry, I'm not sure 25 I've got the same thing. I've just got a 11:35:05</p>

24 (Pages 646 to 649)

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<p style="text-align: right;">Page 650</p> <p>1 version without an exhibit number.</p> <p>2 MR. TORBORG: Without a Bates</p> <p>3 number?</p> <p>4 MR. RYAN: No, without an exhibit</p> <p>5 number. I'm sorry, I didn't realize it was -- 11:35:16</p> <p>6 I apologize.</p> <p>7 Q. Would you take a look at this 1997</p> <p>8 work paper, Mr. Buettner, and I have a question</p> <p>9 on it for you, which relates only to the last</p> <p>10 few lines of the second page. 11:35:26</p> <p>11 A. Sure.</p> <p>12 Okay.</p> <p>13 Q. Have you seen this work paper</p> <p>14 before, sir?</p> <p>15 A. Yes. Obviously I reviewed it at 11:36:11</p> <p>16 some point in time.</p> <p>17 Q. It indicates that you were -- your</p> <p>18 review would have taken place at least by July</p> <p>19 25, 1997?</p> <p>20 A. Yes. 11:36:25</p> <p>21 Q. It is a work paper from the '97</p> <p>22 audit system that reads, General and</p> <p>23 Administrative Data as a section heading and</p> <p>24 Planning and Control as a file section name?</p> <p>25 A. Yes. 11:36:44</p>	<p style="text-align: right;">Page 652</p> <p>1 balance which is a document that, in this</p> <p>2 particular case, the AHERF management team,</p> <p>3 finance team would maintain.</p> <p>4 It's a level of detail on a summary</p> <p>5 of accounts above the general ledger, if you 11:38:09</p> <p>6 will, summarized a little bit more than the</p> <p>7 general ledger but in more detail than what you</p> <p>8 would see on the financial statements.</p> <p>9 What we mean here by materiality</p> <p>10 threshold for trial balance accounts is that 11:38:27</p> <p>11 any account below the 1.5 million dollars, the</p> <p>12 engagement team would not necessarily have</p> <p>13 performed what we would call substantive audit</p> <p>14 work. They may perform a flux review or they</p> <p>15 may not look at the account at all based on the 11:38:40</p> <p>16 professional judgment that we would expect them</p> <p>17 to exercise, but that accounts above a million</p> <p>18 and a half dollars would be subject to some</p> <p>19 sort of review, whether it's control testing or</p> <p>20 some sort of combination of control testing and 11:38:58</p> <p>21 substantiation work being done.</p> <p>22 Q. When you say accounts, do you mean</p> <p>23 account balances?</p> <p>24 A. Yes, trial balance accounts, yes.</p> <p>25 Q. So if there were trial balance 11:39:12</p>
<p style="text-align: right;">Page 651</p> <p>1 Q. Toward the bottom of the page I</p> <p>2 read a couple entries, and they are, I think</p> <p>3 they're the last two, and I think they're the</p> <p>4 last two on the document. The words read,</p> <p>5 "Materiality threshold for T slash B accounts, 11:36:56</p> <p>6 colon, 1.5 million dollars," and then "SUD</p> <p>7 threshold, colon, \$500,000."</p> <p>8 Did I read them right?</p> <p>9 A. Yes.</p> <p>10 Q. This document, if its creation 11:37:09</p> <p>11 history, which appears at the bottom of the</p> <p>12 second page, is accurate, was apparently</p> <p>13 completed by a Miss Porter on your engagement</p> <p>14 team on April 8, 1997?</p> <p>15 A. Yes. 11:37:24</p> <p>16 Q. Is this the document, Mr. Buettner,</p> <p>17 that we referred to or you referred to, rather,</p> <p>18 yesterday in which initial materiality numbers</p> <p>19 or percentages were recorded for the 1997</p> <p>20 audit? 11:37:38</p> <p>21 A. Yes.</p> <p>22 Q. What does it mean, the phrase</p> <p>23 "Materiality threshold for T slash B accounts,</p> <p>24 1.5 million dollars"?</p> <p>25 A. Well, T slash B stands for trial 11:37:50</p>	<p style="text-align: right;">Page 653</p> <p>1 accounts that had sums in them of more than 1.5</p> <p>2 million dollars, they may be subject to a</p> <p>3 different level of scrutiny or testing than</p> <p>4 trial balance accounts with sums that had less</p> <p>5 than 1.5 million dollars in them. Is that 11:39:30</p> <p>6 fair?</p> <p>7 A. Yes.</p> <p>8 MR. RYAN: Objection.</p> <p>9 Q. What about -- what does the phrase</p> <p>10 SUD threshold 500,000 mean? 11:39:37</p> <p>11 A. S U D stands for summary of</p> <p>12 unadjusted differences, or as we've been</p> <p>13 talking about in the last three days during</p> <p>14 this deposition, SUD.</p> <p>15 And the initial assessment for the 11:39:52</p> <p>16 engagement team was that any item above</p> <p>17 \$500,000 should be included on the SUD with an</p> <p>18 understanding that that may change during the</p> <p>19 course of the audit, but that that was the</p> <p>20 initial threshold provided for the aggregation 11:40:10</p> <p>21 of what we view to be misstatements or</p> <p>22 potential misstatements.</p> <p>23 Q. So then other than this document,</p> <p>24 the materiality thresholds or standards applied</p> <p>25 by Coopers & Lybrand to its audit work at AHERF 11:40:26</p>

25 (Pages 650 to 653)

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1 A. No.

2 Q. Have you ever heard of a gentleman
3 named Hipkiss as a member -- that may have been
4 a member of your engagement team, sir, or a
5 woman named Hipkiss, for that matter?

6 A. Tom Hipkiss, perhaps. I'm not sure
7 if he was a member of the AHERF engagement
8 team, but he worked at Coopers, I believe, at
9 some point during '97, '98.

10 Q. Do you know if he's still with
11 Coopers? 11:55:35

12 A. No, I don't know.

13 Q. Let me show you two exhibits, I
14 think, in an order that may be counter
15 intuitive. Exhibits 4124 and Exhibits 4123.

16 Exhibit 4124, sir, I will tell you
17 is, as I understand its production history, is
18 a print-out from the CLASS -- the CLASS
19 database before it went final for the year
20 1997. 11:55:47

21 It may have been maintained on
22 Mr. Hipkiss's computers or somebody else. But
23 it is, as I understand it, a prefinal version
24 from which this document was printed.
25 I say that to you in the interest 11:56:23

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1 of fairness so that you know at least what
2 little bit I know about the document.

3 It has to do with the City Avenue
4 Hospital.

5 Do you know in which Obligated
6 Group the City Avenue Hospital existed at AHERF
7 in fiscal year 1997? 11:56:34

8 A. No, I would have to go back and
9 look at my notes to give you a definite answer.
10 I simply can't remember. 11:56:49

11 Q. Let me ask you to assume that it
12 was a Graduate hospital, one of the Graduate
13 hospitals as we've defined them.

14 A. That's fine.

15 Q. I think another word for those
16 hospitals that some people have used at AHERF
17 and in other places was the Centennial
18 Obligated Group. Do you remember that --
19 A. Yes. 11:57:04

20 Q. -- that term Centennial being used
21 to refer to the former Graduate hospitals? 11:57:14

22 MR. RYAN: Objection.

23 A. For a certain group of the Graduate
24 hospitals, yes.

25 Q. Yes. 11:57:22

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1 Which -- there was a hospital that
2 was in New Jersey that was not a part of the
3 Centennial Obligated Group?

4 A. I'm not sure if -- Rancocas was in
5 New Jersey. I'm not certain if it was a part
6 of the Obligated Group or not part of the
7 Obligated Group. 11:57:32

8 Q. Let me ask you to assume with me
9 that the City Avenue Hospital was at least one
10 of the former Graduate hospitals. 11:57:41

11 I'm going to ask you to look at the
12 second page of the document briefly.

13 Do you see there that someone has
14 typed into the work paper under Purchase Price
15 Adjustments as a header the phrase, "Additional
16 bad debt reserve for DV A slash R, 8 million
17 dollars," or 8 comma, 000, at least on this
18 document. Do you see that? 11:57:59

19 A. Yes, I do.

20 Q. The phrase, again, is additional
21 bad debt reserve for DV A slash R, is that
22 right? 11:58:16

23 A. Well, additional is misspelled, but
24 I think that's the point they're trying to
25 make. 11:58:28

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1 Q. You know, I've read that a few
2 times and I just see it now. Thank you.

3 Would you now look at the next
4 exhibit that I gave you, which I believe is
5 4123; is that right? 11:58:39

6 A. Okay.

7 Q. This, again, is a working paper
8 from the '97 audit relating to City Avenue, at
9 least by its header, is that right?

10 A. Yes. 11:58:49

11 Q. Now I would like you to look at the
12 second page of the document. Do you see under
13 Purchase Price Adjustments the document now
14 reads, "Additional bad debt reserve, 8 million
15 dollars"? 11:59:00

16 A. Yes.

17 Q. And that there may be other
18 changes, but at least that the document has
19 changed in one way, and that is the phrase for
20 DV A slash R has been removed? 11:59:15

21 A. Okay.

22 Q. Between the two exhibits?

23 A. Okay.

24 Q. Do you see that?

25 A. Yes, I do. 11:59:22

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<p style="text-align: right;">Page 670</p> <p>1 Q. In fact, the spelling error carried 2 over, didn't it, into the second document? 3 A. Yes, it did. 4 Q. Sir, the first document, 4124, is 5 apparently dated as last modified August 13, 11:59:36 6 1997 by Mr. Carrabba. Is that accurate? 7 A. That's what this document 8 indicates, yes. 9 Q. And then this second document from 10 which the phrase for DV A/R has been erased 11:59:52 11 reads that it was last modified by Miss Porter 12 on 9-10-97, is that right? 13 A. Well, yes, it indicates that it was 14 completed by Tony Carrabba on 8-21-97 and last 15 modified by Christa on 9-10. 12:00:21 16 Q. Thank you. 17 A. So both of them apparently did 18 something to this document during that period 19 of time. 20 Q. Thank you. 12:00:29 21 Mr. Buettner, did you ever learn 22 that anyone on your engagement team had been 23 instructed to remove the language "for DV A/R" 24 from this work paper at any point in time? 25 A. No. 12:00:42</p>	<p style="text-align: right;">Page 672</p> <p>1 memo from Miss Frazier to Mr. Elek dated 2 November 12, 1996 and marked as Exhibit 4440. 3 Have you seen this document before 4 today? 5 A. I do not recall seeing this 12:02:07 6 document before, no, sir. 7 Q. You do recall Mr. Elek being 8 involved with you in AHERF due diligence work 9 in connection with the Graduate hospitals? 10 A. Yes, as I testified yesterday, 12:02:21 11 Mr. Elek was the partner on the Graduate due 12 diligence. I was the, I guess, the concurring 13 partner. 14 Q. Do you recall Mr. Elek or yourself 15 ever coming to the conclusion, during the due 12:02:33 16 diligence work on the Graduate hospitals, that 17 the Graduate hospitals had a need for 18 additional accounts receivable related 19 reserves? 20 A. I don't recall a discussion with 12:02:50 21 Mr. Elek regarding that. 22 Q. Do you recall concluding that 23 yourself during your Graduate due diligence 24 work? 25 A. My review of the Graduate due 12:03:07</p>
<p style="text-align: right;">Page 671</p> <p>1 Q. Did you ever yourself, sir, ask 2 anyone to remove this phrase from this work 3 paper? 4 A. No. 5 Q. Do you recall at any time during 12:00:48 6 1997 ever learning that anyone on your 7 engagement team had removed language from work 8 papers that might have revealed knowledge of 9 the transfer of reserves -- the transfer of 10 reserves from the Graduate hospitals or the 12:01:03 11 former Graduate hospitals to the DVOG 12 hospitals? 13 A. No, that transfer was documented in 14 numerous places within the work papers. 15 Q. Did you ever learn that anyone on 12:01:13 16 your engagement team had removed language to 17 hide the timing of knowledge of those reserve 18 transfers? 19 A. No. 20 Q. Did you ever learn that anyone gave 12:01:24 21 such an instruction? 22 A. No. 23 Q. I take it that you never did, sir? 24 A. No, I did not. 25 Q. I'm handing you, Mr. Buettner, a 12:01:46</p>	<p style="text-align: right;">Page 673</p> <p>1 diligence work would have been limited to 2 review of the documents prepared by the 3 engagement team, Mr. Elek's engagement team. 4 I don't remember reaching that 5 conclusion at all, and I did not perform 12:03:20 6 detailed steps in the due diligence area. 7 Q. Mr. Buettner, I'm going to hand you 8 now what was marked in an earlier deposition, 9 which is a large set of documents, but I really 10 only have a question about a few of them. It 12:04:16 11 is Exhibit 4248. If you could maybe take the 12 rubber band off of the document and put it to 13 the side, I'll try to work quickly through the 14 document before we break for lunch with you. 15 I will tell you, sir, that I 12:04:39 16 understand these to be a collection of accounts 17 receivable related work papers for the '97 18 audit from the files of Coopers & Lybrand. I 19 would like you to turn first with me to page 20 PwC 10307. It's toward the back of the 12:04:53 21 document, I'm led to believe. I have confirmed 22 that it is. 23 Are you with me? 24 A. Yes. 25 Q. This is a work paper regarding the 12:05:20</p>

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1 Parkview Hospital, is that right?
 2 MR. RYAN: I'm sorry, I'm not sure
 3 the witness is ready.
 4 Q. 10307?
 5 A. I'm sorry, 103 has several -- 12:05:28
 6 please bear with me. 306.A, B, C, D -- we've
 7 gone through the entire alphabet, folks.
 8 MR. RYAN: It's after L.
 9 MR. JONES: I should have described
 10 it that way, the page after 306L. 12:05:52
 11 Q. Are you with me?
 12 A. Yes, I am.
 13 Q. This should be a face page that
 14 says Parkview bad debt reserves at 6-30-97?
 15 A. Yes. 12:06:02
 16 Q. I ask you to turn to the very next
 17 page, sir, which has a schedule regarding A/R
 18 reserves for the Parkview Hospital?
 19 A. Okay.
 20 Q. Do you see that? 12:06:13
 21 A. Yes.
 22 Q. Do you see towards the bottom or
 23 the mid portion, rather, of the page that this
 24 hospital, a member of the former Graduate
 25 hospitals, has a note in the work paper that 12:06:24

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1 reads, "These percentages are still being used
 2 because they are considered to be
 3 conservative."
 4 Do you see that?
 5 A. Yes. 12:06:35
 6 Q. "And that C&L does not take
 7 exception."
 8 A. Okay.
 9 Q. Did I read it right?
 10 A. Yes, that's part of that note, yes. 12:06:44
 11 Q. Would you flip with me to page 310
 12 of the document, the digits that end 310.
 13 A. Okay.
 14 Q. This is, again, another Graduate
 15 Hospital City Avenue's bad debt reserve 12:07:03
 16 schedule for 6-30-97, at least by title.
 17 A. Yes.
 18 Q. If you'll flip the page, we have
 19 the same note which appears at the mid portion
 20 of the page regarding A/R reserves at City 12:07:15
 21 Avenue, am I right, at least in the portion of
 22 the note that reads, "These percentages are
 23 still being used because they are considered to
 24 be conservative, C&L does not take exception"?
 25 A. Yes. 12:07:32

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1 Q. Would you look at the last -- I'm
 2 sorry, page 312, which I think is the last page
 3 of the City Avenue schedules. Do you see there
 4 that tick mark A reads in its last sentence,
 5 "The hospital is as conservative as possible in 12:07:49
 6 booking the reserve for bad debts"?
 7 A. Yes.
 8 Q. Do you recall that your engagement
 9 team had these views at any time during the '97
 10 audit work about the bad debt reserves or the 12:08:07
 11 suitability of the bad debt reserves at
 12 Graduate hospitals?
 13 A. Well, I recall discussing the bad
 14 debt reserves, if you will, for the acquired
 15 entities, all of them. That would include 12:08:22
 16 Graduate, Allegheny and Forbes, and the
 17 engagement team telling me that they thought
 18 that the reserves were conservative, reasonable
 19 but conservative.
 20 Q. Did you ever -- the notes I think 12:08:36
 21 reflect that Deloitte & Touche -- you can
 22 reassemble the document, if you would like.
 23 A. Okay.
 24 Q. I should ask you the favor to
 25 reassemble the document. 12:08:46

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1 Do you -- the notes I think reflect
 2 that Deloitte & Touche was involved in
 3 establishing the percentages for the Graduate
 4 hospitals.
 5 Did you ever come to understand 12:08:56
 6 that as a part of your due diligence or audit
 7 work?
 8 MR. RYAN: Objection.
 9 A. No.
 10 Q. Did you ever, as a C&L auditor, 12:09:03
 11 become involved in establishing bad debt
 12 reserve percentages or methodologies for
 13 clients?
 14 A. No.
 15 Q. I presume this will be our last 12:09:31
 16 exhibit before lunch, he said at 12:10.
 17 4263 is the one I'm handing you
 18 now, Mr. Buettner.
 19 This is a schedule headed Graduate
 20 Good Will Entry, which I think has been located 12:09:51
 21 among the '97 work papers at Coopers & Lybrand.
 22 I really only have a question about
 23 the page of the document which has the
 24 description for tick mark B, which I think
 25 you'll find because it was produced from the 12:10:13

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<p style="text-align: right;">Page 678</p> <p>1 final CLASS database and not as a hard paper 2 document at page four of the document. 3 A. Okay. 4 Q. Are you with me? 5 A. I think I am. 12:10:23 6 Q. The tick mark starts with the 7 phrase anyway, "Prior experience with the 8 Delaware Valley entities led to the 50 million 9 dollar reserve for bad debts. 10 "AHERF management believed that 12:10:36 11 when the DV entities were brought into the 12 AHERF system, the entities did not have 13 sufficient reserves on their books for bad 14 debts. 15 "Therefore, management wanted to 12:10:49 16 have sufficient reserve for the Graduate 17 hospitals when they were brought into AHERF. 18 "AHERF management discussed the 19 decision with C&L partner" -- "with C&L 20 partner, who agreed that a reserve should be 12:11:05 21 established." 22 Do you see that? 23 A. Yes, I do. 24 Q. Have you seen this work paper 25 before today? 12:11:12</p>	<p style="text-align: right;">Page 680</p> <p>1 The Graduate Hospital reserve 2 requirements should stand on their own. The 3 fact that there was some sort of restructuring 4 where reserves were booked, if you will, to get 5 them up to levels that people were comfortable 12:12:30 6 with did occur. I agreed with that, but I did 7 not agree with what's been outlined here. 8 Q. What part of this did you not agree 9 with? 10 A. I think I indicated I didn't agree 12:12:41 11 with the very first premise that the DV 12 entities were brought into the system with 13 insufficient bad debt reserves. And I 14 disagreed with the fact that I agreed on a 50 15 million dollar reserve at Graduate for bad 12:12:55 16 debts. 17 Q. In fact, it is your testimony 18 today, sir, that you never agreed with that, is 19 that right? 20 A. That's correct. 12:13:03 21 MR. JONES: Let's break here for 22 lunch. 23 THE VIDEOGRAPHER: We're going off 24 the record at 12:13. 25</p>
<p style="text-align: right;">Page 679</p> <p>1 A. I did not see this work paper 2 during the 1997 audit. 3 Q. Did you see it before today? 4 A. Yes, I believe counsel may have 5 provided me with a copy of it back in 2001. 12:11:22 6 Q. Do you know who wrote this work 7 paper? 8 A. No, I don't. 9 Q. Do you know who wrote this tick 10 mark? 12:11:33 11 A. No, I don't. 12 Q. Is the tick mark true? 13 MR. RYAN: Objection. 14 A. No, I don't believe it's true. I 15 don't believe it's accurate. 12:11:41 16 Q. What's wrong with it? 17 A. Well, I'm not sure if the -- if the 18 claim that the DV entities were brought into 19 AHERF did not have sufficient reserves on the 20 books is totally accurate. I don't believe 12:11:56 21 that. 22 The fact that AHERF management was 23 trying to use that as a reason to have 24 sufficient reserves for the Graduate hospitals 25 I believe is really irrelevant. 12:12:13</p>	<p style="text-align: right;">Page 681</p> <p>1 (Lunch recess.) 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p>

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<p style="text-align: right;">Page 682</p> <p>1 AFTERNOON SESSION commencing at 1:13 p.m. 2 THE VIDEOGRAPHER: We're back on 3 the record at 1:09. 4 FURTHER EXAMINATION OF WILLIAM F. BUETTNER 5 BY MR. JONES: 13:09:13 6 Q. Mr. Buettner, could I ask you to 7 refer back to an exhibit we marked earlier 8 today, 4473. The exhibit started with 9 typewritten material as an October 1, 1997 10 audit update and contained a number of your 13:09:27 11 handwritten notes. Exhibit 4473. 12 Do you have that before you, sir? 13 A. Yes, I do. 14 Q. Could you turn with me to page 15 36438 and 36439? Have you those two pages 13:09:49 16 before you, sir? 17 A. Yes, I do. 18 Q. Can you tell me what these notes 19 comprise, what are they? 20 A. These two pages summarize my 13:10:05 21 assessment of the AHERF bad debt reserve 22 assessment, my assessment for the year-ending 23 June 30, 1997 with an emphasis on what I would 24 call old AHERF. 25 What I mean by old AHERF would be 13:10:28</p>	<p style="text-align: right;">Page 684</p> <p>1 We had spent time in 1996 in terms 2 of looking at this receivable buildup. We were 3 getting information -- I was getting 4 information from my engagement team in terms of 5 overall status of billing process for these -- 13:12:00 6 this old AHERF organization in 1997 that I 7 wanted to try to incorporate to get an 8 understanding of the reserve requirements. 9 And lastly, management had made 10 this -- taken this position of transferring, as 13:12:17 11 we had discussed earlier, this 50 million 12 dollars, from one entity to the other with the 13 intended purpose of using the 50 million 14 dollars to, if you will, support or enhance the 15 reserve, bad debt reserve, if you will, for 13:12:39 16 some old AHERF entities. 17 Obviously a question that we had at 18 the time we learned of the transfer is the 50 19 million needed at what I called old AHERF. So 20 I went through this assessment to determine in 13:12:56 21 my own mind if the 50 million dollars was 22 needed. 23 Q. Did you understand that the 24 charge-offs or the vast majority of them that 25 occurred during the fiscal year 1997 occurred 13:13:09</p>
<p style="text-align: right;">Page 683</p> <p>1 the entities that existed within the AHERF 2 system as of July 1, 1996. 3 Q. Those would have been the AHERF 4 entities or enterprises save and except for 5 Allegheny Valley, Forbes and the Graduate 13:10:51 6 hospitals? 7 A. Yes. For the most part, yes, sir. 8 Q. Any other exceptions that you can 9 think of? 10 A. No, that's the primary group that 13:11:01 11 you would exclude, yes. 12 Q. You said this summarized your 13 assessment. Is your assessment written in any 14 form anywhere else? 15 A. No, this is a summary of my 13:11:14 16 assessment. 17 Q. There isn't another document that 18 this -- these two pages summarize, is that fair 19 to say? 20 A. That's correct. 13:11:23 21 Q. Why was it that you were focusing 22 on old AHERF as you have just defined it? 23 A. Well, for two reasons. One is you 24 had a significant amount of activity in 1997 in 25 terms of charge-offs. 13:11:43</p>	<p style="text-align: right;">Page 685</p> <p>1 at the DVOG hospitals? 2 A. Yes. 3 Q. At the time that you were preparing 4 this two-page handwritten schedule? 5 A. Yes. 13:13:18 6 Q. Did you understand that the 7 transfers had gone from former Graduate 8 hospitals to the Delaware Valley Obligated 9 Group hospitals? 10 A. Yes. 13:13:25 11 Q. And to their bad debt reserve, 12 those Allegheny -- those Delaware Valley 13 Obligated Group hospitals? 14 A. Yes. 15 Q. Why then were you focusing on 13:13:34 16 something greater than the Delaware Valley 17 Obligated Group hospitals? 18 A. We were performing a consolidated 19 audit of AHERF, and I wanted to gain comfort, 20 not only of the reserve adequacy for the 13:13:48 21 Delaware Valley, which I'm not opining on, but 22 on old AHERF with an understanding that the 23 other organizations that were coming in 24 throughout the year would have their own 25 reserves and the staff was looking at those 13:14:02</p>

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<p style="text-align: right;">Page 686</p> <p>1 reserves.</p> <p>2 I wasn't aware of billing issues at</p> <p>3 any of those three organizations. I had gained</p> <p>4 some sort of comfort, based on discussions with</p> <p>5 the engagement team, that the reserve 13:14:13</p> <p>6 requirements for those three organizations were</p> <p>7 met and that the reserves were reasonable,</p> <p>8 conservative.</p> <p>9 So I wanted to spend my time with</p> <p>10 old AHERF because, quite frankly, there was a 13:14:26</p> <p>11 history there of need to either enhance the</p> <p>12 reserves or need to evaluate the reserves</p> <p>13 vis-a-vis a rather sporadic billing process</p> <p>14 that existed.</p> <p>15 Q. But did that sporadic billing 13:14:44</p> <p>16 process apply to Allegheny General Hospital in</p> <p>17 your view at this time?</p> <p>18 A. No, no.</p> <p>19 Q. It really applied to the Delaware</p> <p>20 Valley Obligated Group hospitals, is that 13:14:56</p> <p>21 right?</p> <p>22 A. That's correct.</p> <p>23 Q. Then why, again, focus on more than</p> <p>24 the Delaware Valley Obligated Group hospitals?</p> <p>25 MR. RYAN: Objection. 13:15:04</p>	<p style="text-align: right;">Page 688</p> <p>1 that Delaware Valley -- the Delaware Valley</p> <p>2 Obligated Group hospitals needed the reserve</p> <p>3 boost that the Graduate reserve transfers</p> <p>4 permitted?</p> <p>5 A. Well, the process of an audit is to 13:16:27</p> <p>6 evaluate or test management assertions, whether</p> <p>7 it deals with the 50 million dollars, whether</p> <p>8 it deals with the booking of receivables, the</p> <p>9 booking of revenues, the booking of any other</p> <p>10 reserve balances. I mean, the audit process 13:16:46</p> <p>11 deals with evaluating the position that</p> <p>12 management takes in terms of the preparation of</p> <p>13 their financial statements.</p> <p>14 This was an item, an unusual</p> <p>15 assertion that they were making. We had an 13:17:00</p> <p>16 obligation to go through and assess whether it</p> <p>17 made sense or not.</p> <p>18 Q. I'll use your word, it was indeed</p> <p>19 an unusual set of entries, the 50 million</p> <p>20 dollar reserve transfers? 13:17:15</p> <p>21 A. I'm not talking about the entries.</p> <p>22 I'm talking about the assertion.</p> <p>23 Q. What assertion?</p> <p>24 A. The assertion that the bad debt</p> <p>25 reserve in the east for old AHERF was 13:17:24</p>
<p style="text-align: right;">Page 687</p> <p>1 A. Well, because, I indicated earlier,</p> <p>2 I'm doing -- my audit opinion is geared towards</p> <p>3 a consolidated AHERF report. And a</p> <p>4 consolidated AHERF report would include both</p> <p>5 Allegheny General as well as the eastern 13:15:21</p> <p>6 hospitals or the Delaware Valley hospitals,</p> <p>7 however you want to define them.</p> <p>8 Q. You said you wanted to determine,</p> <p>9 at least in part, whether the old -- whether</p> <p>10 old AHERF needed the 50 million dollar reserve 13:15:33</p> <p>11 boost.</p> <p>12 A. Yes.</p> <p>13 Q. Why isn't it -- why isn't it that</p> <p>14 your inquiry was whether or not the Delaware</p> <p>15 Valley Obligated Group hospitals needed the 50 13:15:45</p> <p>16 million dollar reserve boost as it is the case</p> <p>17 that that's where the reserve boost occurred?</p> <p>18 MR. RYAN: Objection.</p> <p>19 A. Because I'm performing an audit on</p> <p>20 the consolidated financials. I'm looking at 13:15:56</p> <p>21 the financials on a global basis.</p> <p>22 Q. Did it have anything to do with the</p> <p>23 fact that -- let me withdraw that.</p> <p>24 Why is it that you did not trust or</p> <p>25 believe management in their view, at least, 13:16:11</p>	<p style="text-align: right;">Page 689</p> <p>1 understated by 50 million dollars. That</p> <p>2 simply, based on my experience with the</p> <p>3 organization and the activities that they had</p> <p>4 taken, it just seemed unusual.</p> <p>5 Q. We can agree, though, that you 13:17:40</p> <p>6 believed in, at the time period you created</p> <p>7 these two schedules, that the transfers to</p> <p>8 boost the Delaware Valley Obligated Group</p> <p>9 receivables were a departure from GAAP?</p> <p>10 MR. RYAN: I'm sorry, can or can't? 13:17:50</p> <p>11 Q. We can agree on that?</p> <p>12 A. We can agree that the transfers</p> <p>13 were a departure from GAAP?</p> <p>14 Q. Yes.</p> <p>15 A. Yes. 13:17:59</p> <p>16 Q. So in a factual circumstance where</p> <p>17 a client has departed from GAAP and has</p> <p>18 departed from GAAP after members of your</p> <p>19 engagement team have told them that they, in</p> <p>20 your view, should not so depart and continues 13:18:15</p> <p>21 to insist on the need for these -- this 50</p> <p>22 million dollars in the bad debt reserve at the</p> <p>23 Delaware Valley Obligated Group, why is it that</p> <p>24 you did not believe that assertion, that there</p> <p>25 was indeed a need? 13:18:36</p>

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<p style="text-align: right;">Page 690</p> <p>1 MR. RYAN: Objection.</p> <p>2 A. Because part of our audit step is</p> <p>3 to test client assertions, as I had indicated</p> <p>4 earlier.</p> <p>5 Q. Let me ask -- 13:18:48</p> <p>6 A. You know, at the end of every</p> <p>7 fiscal year, the client prepares financial</p> <p>8 statements. They make judgments in terms of</p> <p>9 booking of estimates for reserves and booking</p> <p>10 of assets, booking of transactions. We 13:19:02</p> <p>11 evaluate those or test those.</p> <p>12 The fact that the transfer was non</p> <p>13 GAAP in no way, shape or form influenced the</p> <p>14 decision on whether the reserve was necessary.</p> <p>15 That's a separate decision. 13:19:21</p> <p>16 Q. Mr. Buettner, did you yourself ever</p> <p>17 talk with anyone at AHERF about whether or not</p> <p>18 the Delaware Valley Obligated Group hospitals</p> <p>19 needed a bad debt reserve boost at year-end</p> <p>20 1997 of 50 million dollars? 13:19:37</p> <p>21 A. I believe that during the what I</p> <p>22 would call audit closing meeting or the prep</p> <p>23 meeting for the audit committee, I told Mr.</p> <p>24 McConnell I was comfortable with the reserves,</p> <p>25 the bad debt reserves, period. I told him that 13:19:57</p>	<p style="text-align: right;">Page 692</p> <p>1 Q. Did you ever date -- refuse to date</p> <p>2 a work paper for a reason?</p> <p>3 A. No.</p> <p>4 Q. Did you decline to date these work</p> <p>5 papers for a reason? 13:21:10</p> <p>6 MR. RYAN: Objection.</p> <p>7 A. No.</p> <p>8 Q. Is it just a matter of you just not</p> <p>9 getting around to putting a date on it?</p> <p>10 A. Yes. 13:21:16</p> <p>11 Q. All right. Are these work</p> <p>12 papers -- were these work papers prepared in a</p> <p>13 meeting, or was this something you were doing</p> <p>14 by yourself?</p> <p>15 A. These documents were prepared in 13:21:34</p> <p>16 probably two or three sittings, one of which I</p> <p>17 would classify as a meeting. Maybe two. I</p> <p>18 can't recall.</p> <p>19 Q. I'm sorry, go ahead.</p> <p>20 A. In my office, as I was attempting 13:21:54</p> <p>21 to summarize what I considered to be key</p> <p>22 information for the AHERF audit committee</p> <p>23 meeting, as well as attempting to gain some</p> <p>24 sort of understanding of the global financial</p> <p>25 issues outlined in the audited financial 13:22:10</p>
<p style="text-align: right;">Page 691</p> <p>1 I had some issues with some purchase</p> <p>2 adjustments which would have included the 50</p> <p>3 million dollars, but that I thought that those</p> <p>4 items could be worked out over the next 12</p> <p>5 months under the accounting rules. 13:20:14</p> <p>6 Q. But you didn't discuss with him the</p> <p>7 reserve transfers themselves, is that fair?</p> <p>8 A. No, I didn't get into the details</p> <p>9 of, as he would call, bean counter type</p> <p>10 activity. 13:20:25</p> <p>11 Q. So did you ever talk with anyone</p> <p>12 other than Mr. McConnell at AHERF about whether</p> <p>13 or not they believed that the Delaware Valley</p> <p>14 Obligated Group hospitals needed the 50 million</p> <p>15 dollar boost in their bad debt reserves that 13:20:38</p> <p>16 the transfers permitted?</p> <p>17 A. No, no.</p> <p>18 Q. Thank you.</p> <p>19 Let me ask you now to look at 36438</p> <p>20 and 36439 with me. Neither one of these pages 13:20:50</p> <p>21 are dated, are they?</p> <p>22 A. That's correct.</p> <p>23 Q. Did you typically date your work</p> <p>24 papers?</p> <p>25 A. In some cases, yes. 13:20:58</p>	<p style="text-align: right;">Page 693</p> <p>1 statements.</p> <p>2 Q. Who was it --</p> <p>3 MR. RYAN: Hold on, I'm not sure</p> <p>4 he's finished.</p> <p>5 Q. I'm sorry, I wasn't looking at you 13:22:16</p> <p>6 when you answered. I was taking a note,</p> <p>7 Mr. Buettner. I apologize. Please continue.</p> <p>8 A. I was also attempting to complete</p> <p>9 what I would call my global review of the</p> <p>10 financial statements for AHERF, as well. 13:22:27</p> <p>11 Q. Who was it then that might have</p> <p>12 been in attendance with you at any time while</p> <p>13 you were taking these notes?</p> <p>14 A. Amy Frazier was involved at some</p> <p>15 point in time with helping me collect some of 13:22:44</p> <p>16 this information.</p> <p>17 Q. Anyone else?</p> <p>18 A. I don't recall if other folks were</p> <p>19 involved or not.</p> <p>20 Q. The schedule that appears -- or the 13:23:00</p> <p>21 handwritten schedule that appears at 36438 has,</p> <p>22 at least towards the top portion of the</p> <p>23 document, two columns. Is that right?</p> <p>24 A. Yes.</p> <p>25 Q. One is headed 1997 and the other 13:23:10</p>

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<p style="text-align: right;">Page 694</p> <p>1 1996?</p> <p>2 A. Yes.</p> <p>3 Q. The row -- the first row is headed</p> <p>4 with the handwritten term reserve. What does</p> <p>5 that row and the numbers in the '97 and '96 13:23:22</p> <p>6 column reflect?</p> <p>7 A. That would be the bad debt reserve</p> <p>8 for what I would call the old AHERF hospitals</p> <p>9 at the end of June 30, '97 or June 30, '96.</p> <p>10 Q. Thank you. 13:23:40</p> <p>11 If I read at any time now this</p> <p>12 afternoon your handwriting wrong on these</p> <p>13 documents, will you tell me? I want to try to</p> <p>14 move this along. If I've got the handwriting</p> <p>15 wrong, I just want you to speak up and tell me. 13:23:50</p> <p>16 A. Yes.</p> <p>17 Q. The next row I believe reads</p> <p>18 expense, is that right?</p> <p>19 A. Yes.</p> <p>20 Q. I guess I didn't need to ask you 13:24:04</p> <p>21 that one given the predicate there, but I did.</p> <p>22 Those two entries for '97 and '96</p> <p>23 have 66.4 million dollars, and is it 67.5</p> <p>24 million dollars?</p> <p>25 A. Yes. 13:24:09</p>	<p style="text-align: right;">Page 696</p> <p>1 Q. So the justification for using, in</p> <p>2 your mind, expense for all of AHERF was that it</p> <p>3 would have been nominal, or the portion related</p> <p>4 to the Graduate hospitals, the Allegheny Valley</p> <p>5 Hospital, the Forbes Medical Center would have 13:25:42</p> <p>6 been nominal?</p> <p>7 A. Yes, yes.</p> <p>8 Q. Why not just use the amount of bad</p> <p>9 debt expense for the old AHERF organizations</p> <p>10 and be more precise? 13:25:53</p> <p>11 A. Well, for a couple of reasons, one</p> <p>12 is it's a top side review, so I don't have --</p> <p>13 I'm not going to try to tie this down to exact</p> <p>14 dollars. I had at least a draft of the</p> <p>15 financials in front of me. 13:26:05</p> <p>16 My conclusion was that the</p> <p>17 organizations you just mentioned were in the</p> <p>18 system for only a short period of time and the</p> <p>19 level of bad debt expense would be nominal</p> <p>20 because they were only included in the AHERF 13:26:25</p> <p>21 system, in the case of Graduate, for two</p> <p>22 months, in the case of Forbes, six months, in</p> <p>23 the case of Allegheny Valley, I believe three</p> <p>24 months. So it was readily available.</p> <p>25 I had my staff, in this case, Amy, 13:26:41</p>
<p style="text-align: right;">Page 695</p> <p>1 Q. Respectively.</p> <p>2 What do those reflect?</p> <p>3 A. That would be the bad debt expense</p> <p>4 that's reflected on the financial statements.</p> <p>5 Q. For? 13:24:21</p> <p>6 A. For AHERF for June 30th, 1997 and</p> <p>7 June 30th, 1996.</p> <p>8 Q. Was that for the bad debt expense</p> <p>9 for all of AHERF?</p> <p>10 A. Yes. 13:24:32</p> <p>11 Q. Both old and new, if you will?</p> <p>12 A. Yes, although my position is new</p> <p>13 would have been nominal because the</p> <p>14 organizations were only in the system for two</p> <p>15 or three months for the most part. 13:24:42</p> <p>16 Q. What have you done to arrive at the</p> <p>17 figure that appears just below the expense row</p> <p>18 for both 1997 and 1996, the figures 130.2</p> <p>19 million and 109.3 million respectively?</p> <p>20 A. That's simply a subtotal of the two 13:25:02</p> <p>21 numbers above. So that would be, for 1997, for</p> <p>22 instance, the total reserve and total expense</p> <p>23 during the year would result in 130 million</p> <p>24 dollars of potential reserve, if you will, to</p> <p>25 be utilized during the period 1997. 13:25:20</p>	<p style="text-align: right;">Page 697</p> <p>1 trying to collect other information for me for</p> <p>2 the analysis. If the number was 65 million</p> <p>3 versus 66 million, it certainly wasn't going to</p> <p>4 change my conclusion.</p> <p>5 Q. Let me ask you to read for me or, 13:26:57</p> <p>6 if you would, because I find it difficult, the</p> <p>7 next row of the schedule. I think, at least</p> <p>8 read it with me, I think it reads, "Charge-off,</p> <p>9 semicolon, DVOG, 80.4 million dollars"?</p> <p>10 A. That's a fair interpretation. I 13:27:14</p> <p>11 would agree with that, yes, sir.</p> <p>12 Q. That entry was meant to reflect the</p> <p>13 80 million dollars of charge-offs at DVOG</p> <p>14 hospitals that we referred to earlier today?</p> <p>15 A. Yes. 13:27:26</p> <p>16 Q. And then beneath that, I think</p> <p>17 you've written in parentheses the term west, W</p> <p>18 E S T. Am I right there?</p> <p>19 A. Yes, that's probably west.</p> <p>20 Q. The figure associated -- 13:27:37</p> <p>21 A. I'm not sure if that's west or</p> <p>22 rest, but -- I honestly can't make it out</p> <p>23 today.</p> <p>24 Q. Do you have a recall about what the</p> <p>25 14.6 million dollar figure next to either the 13:27:50</p>

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<p style="text-align: right;">Page 698</p> <p>1 word west or rest was meant to convey?</p> <p>2 A. That would be the charge-off</p> <p>3 information for the remainder of the old AHERF</p> <p>4 system for '97.</p> <p>5 Q. So either west or rest would be 13:28:05</p> <p>6 reflective of that concept?</p> <p>7 A. For the most part, yes, sir.</p> <p>8 Q. You summed those two or added those</p> <p>9 two figures together and arrived at a sum of</p> <p>10 approximately 95 million dollars and that 13:28:16</p> <p>11 figure appears just below the 14.6 million</p> <p>12 dollars?</p> <p>13 A. Yes.</p> <p>14 Q. Then under the '96 column, you have</p> <p>15 a figure of 45.5 million dollars on the same 13:28:25</p> <p>16 row. Is that right?</p> <p>17 A. Yes.</p> <p>18 Q. What is that meant to reflect?</p> <p>19 A. Charge-offs for old AHERF, if you</p> <p>20 will, for 1996. 13:28:37</p> <p>21 Q. Was old AHERF all of AHERF in 1996?</p> <p>22 A. Yes, yes.</p> <p>23 Q. Then the next row down reads,</p> <p>24 "Reserve dash old"?</p> <p>25 A. Yes. 13:28:53</p>	<p style="text-align: right;">Page 700</p> <p>1 about halfway down the page, do you see that?</p> <p>2 A. Yes.</p> <p>3 Q. The 40 million dollars that appears</p> <p>4 to have been placed there originally, what was</p> <p>5 that meant to reflect? 13:30:10</p> <p>6 A. The bad debt reserve for the</p> <p>7 acquired entities, Forbes, Allegheny Valley and</p> <p>8 Graduate.</p> <p>9 Q. It has a line through it?</p> <p>10 A. Yes. 13:30:20</p> <p>11 Q. Why is that, if you know today?</p> <p>12 A. Because at some point in time after</p> <p>13 I did the original computation, I learned that</p> <p>14 it was really 41.5.</p> <p>15 Q. You added the 41.5 next to the 40 13:30:30</p> <p>16 at some subsequent time?</p> <p>17 A. Yes.</p> <p>18 Q. Do you know when in time you added</p> <p>19 it?</p> <p>20 A. September, October of '97. I can't 13:30:39</p> <p>21 tell you specifically.</p> <p>22 Q. Then the next row reads,</p> <p>23 "Graduate." You have 50 million dollars there.</p> <p>24 A. Yes.</p> <p>25 Q. What is the 50 million dollars 13:30:51</p>
<p style="text-align: right;">Page 699</p> <p>1 Q. The sums here are 35.2 million</p> <p>2 dollars for 1997?</p> <p>3 A. Yes.</p> <p>4 Q. And 63.8 million dollars for 1996?</p> <p>5 A. Yes. 13:29:02</p> <p>6 Q. So the reserve is significantly</p> <p>7 smaller in '97 as you have calculated it?</p> <p>8 A. Yes.</p> <p>9 Q. The next -- do you know where you</p> <p>10 got that number? 13:29:12</p> <p>11 A. Which number, sir?</p> <p>12 Q. The 35.2 million dollar number.</p> <p>13 A. That's the result of subtracting</p> <p>14 the 95 million of charge-offs from the 130.2</p> <p>15 million dollars mentioned above, which was the 13:29:27</p> <p>16 combination of the beginning reserve plus</p> <p>17 expense for the year.</p> <p>18 Q. Skipping back up to the top of the</p> <p>19 schedule for a moment, the '97 reserve figure</p> <p>20 that we started at, or started off with for old 13:29:40</p> <p>21 AHERF, the 63.8 million dollars, what was that</p> <p>22 derived from, as a source, if you know?</p> <p>23 A. It probably came from the June</p> <p>24 30th, 1996 financial statements of AHERF.</p> <p>25 Q. The acquired reserve row, which is 13:29:58</p>	<p style="text-align: right;">Page 701</p> <p>1 there meant to convey?</p> <p>2 A. That's the 50 million dollars of</p> <p>3 transfers that we've been talking about for the</p> <p>4 last hour or so</p> <p>5 Q. Then you've summed the three 13:31:01</p> <p>6 reserve figures, 35.2, 40 and 50 to come up</p> <p>7 with 125.2?</p> <p>8 A. 125.2, yes, sir.</p> <p>9 Q. Then what does that 125.2 then</p> <p>10 reflect other than the sum I just indicated it 13:31:20</p> <p>11 reflects?</p> <p>12 A. What I was trying to do is</p> <p>13 determine if I had all of the key elements, if</p> <p>14 you will, of the reserve number reflected on</p> <p>15 the June 30th, 1997 AHERF consolidated balance 13:31:31</p> <p>16 sheet. And that number is right below, 127.4.</p> <p>17 So I was trying to determine the</p> <p>18 makeup of the 127.4 without going back and just</p> <p>19 looking at the client's trial balance or</p> <p>20 general ledger so that if I had a question, for 13:31:53</p> <p>21 instance, at the audit committee, I could</p> <p>22 explain what the makeup of the 127.4 was in</p> <p>23 global terms that an audit committee member,</p> <p>24 for instance, would be interested in hearing</p> <p>25 and not by entity or things of that nature. 13:32:08</p>

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<p style="text-align: right;">Page 702</p> <p>1 Q. Then you've got a section of the</p> <p>2 schedule towards the bottom of the page headed</p> <p>3 makeup.</p> <p>4 A. Yes.</p> <p>5 Q. Do you see that? 13:32:18</p> <p>6 A. Yes.</p> <p>7 Q. What were you doing in the makeup</p> <p>8 section of the schedule?</p> <p>9 A. What I was attempting to do is</p> <p>10 evaluate, was evaluate what, absent the 50 13:32:30</p> <p>11 million dollar transfer, what number I would</p> <p>12 expect to see on the caption Allowance for</p> <p>13 Uncollectibility Accounts.</p> <p>14 Q. For what enterprise or set of</p> <p>15 enterprises? 13:32:43</p> <p>16 A. For AHERF, consolidated AHERF for</p> <p>17 June 30, 1997.</p> <p>18 Q. You've written beneath makeup the</p> <p>19 words, "Acquired Forbes"?</p> <p>20 A. Yes. 13:32:55</p> <p>21 Q. "2.9"?</p> <p>22 A. Yes.</p> <p>23 Q. What does that reflect?</p> <p>24 A. My understanding, that was a bad</p> <p>25 debt reserve for Forbes as of June 30, 1997. 13:33:01</p>	<p style="text-align: right;">Page 704</p> <p>1 words, "Old AHERF dash G slash L," and the</p> <p>2 number "35.2." What does that entry mean?</p> <p>3 A. Well, that's the 35 million dollars</p> <p>4 that I calculated above.</p> <p>5 Q. It's a bring-down, if you will? 13:34:00</p> <p>6 A. Yes, yes. I've never heard that</p> <p>7 term, but, yes, I would agree with that.</p> <p>8 Q. I may have just coined it.</p> <p>9 MR. RYAN: I like it.</p> <p>10 A. By the way, the 40 is a bring-down, 13:34:10</p> <p>11 if you will, from up above.</p> <p>12 Q. I guess it is. Thank you.</p> <p>13 The row next or just below old</p> <p>14 AHERF G slash L reads, "Other reserves, 22.5."</p> <p>15 What does that reflect? 13:34:25</p> <p>16 A. That's a number that I calculated</p> <p>17 based on discussions with Amy. I believe the</p> <p>18 detail of that would sit on the next page,</p> <p>19 which is Bates 36439.</p> <p>20 Q. Which part of the next page is the 13:34:42</p> <p>21 detail found -- on which part of the next page</p> <p>22 is the detail found?</p> <p>23 A. About halfway -- a little more than</p> <p>24 halfway down the page you'll see a caption</p> <p>25 called Bad Debt and then -- do you see that? 13:34:53</p>
<p style="text-align: right;">Page 703</p> <p>1 Q. Where did you get that figure?</p> <p>2 A. Amy Frazier would have given me</p> <p>3 that number.</p> <p>4 Q. The next row reads, "AVH 1.1."</p> <p>5 What does that reflect? 13:33:13</p> <p>6 A. The same descriptor as with Forbes,</p> <p>7 the bad debt reserve for AVH as of June 30,</p> <p>8 1997.</p> <p>9 Q. Again, Amy was the source?</p> <p>10 A. Yes. 13:33:24</p> <p>11 Q. And then it says, "Grad 36</p> <p>12 million"?</p> <p>13 A. Yes.</p> <p>14 Q. What does that figure represent?</p> <p>15 A. The same as the other two, that's 13:33:30</p> <p>16 the bad debt reserve for Graduate as of June</p> <p>17 30th, 1997.</p> <p>18 Q. The source is the same?</p> <p>19 A. Yes.</p> <p>20 Q. You have summed them to roughly 40 13:33:38</p> <p>21 million dollars?</p> <p>22 A. Yes.</p> <p>23 Q. That's the next row?</p> <p>24 A. Yes.</p> <p>25 Q. Beneath that you have written the 13:33:44</p>	<p style="text-align: right;">Page 705</p> <p>1 Q. Yes, I do.</p> <p>2 A. Right below that there are three --</p> <p>3 three lines, then a subtotal, then a fourth</p> <p>4 line.</p> <p>5 Q. Yes. 13:35:03</p> <p>6 A. So it's a combination of the excess</p> <p>7 CRA of ten, excess C/A of 9.8, legal reserves,</p> <p>8 1.7, and SCHC collection of one. I believe if</p> <p>9 you add those up, you'll come close to 22.503.</p> <p>10 Q. You received these figures that 13:35:29</p> <p>11 you've just read to us as excess CRAs -- excess</p> <p>12 C/A's --</p> <p>13 A. Yes.</p> <p>14 Q. -- legal reserves and SCHC</p> <p>15 collection figures from Miss Frazier? 13:35:41</p> <p>16 A. Yes, for the most part, yes.</p> <p>17 Q. Do you recall receiving that</p> <p>18 information from any other source?</p> <p>19 A. The legal reserve I may have gotten</p> <p>20 off of the general ledger when I was doing my 13:35:53</p> <p>21 review out in the field. I can't remember if</p> <p>22 Amy gave me that or if I had that from other</p> <p>23 notes.</p> <p>24 Q. Do you recall any communications</p> <p>25 with Miss Frazier about why she believed that 13:36:02</p>

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<p style="text-align: right;">Page 706</p> <p>1 any of these CRAs or C/A amounts were excess?</p> <p>2 A. It was based on our assessment,</p> <p>3 apparently, of the review that we had performed</p> <p>4 in that area.</p> <p>5 As we have discussed over the last 13:36:22</p> <p>6 couple of days, it wasn't unusual for the</p> <p>7 organization to have reserves sitting in the</p> <p>8 receivable area for contractuals or CRAs that</p> <p>9 at some point in time they no longer needed.</p> <p>10 When I met with her during the 13:36:40</p> <p>11 year-end phase of our engagement, she informed</p> <p>12 me of the existence of these accounts or these</p> <p>13 amounts.</p> <p>14 Q. Did she tell you why she thought</p> <p>15 they were excess? 13:36:51</p> <p>16 A. We may have had some general</p> <p>17 discussion about it, but I don't recall right</p> <p>18 now.</p> <p>19 Q. Next to the line excess CRA and the</p> <p>20 10 million dollar figure that appears next to 13:37:02</p> <p>21 it, you've got DVOG in parentheses with a</p> <p>22 question mark. Am I right?</p> <p>23 A. Well, I have DVOG. I'm not sure if</p> <p>24 that's a question mark or not, but --</p> <p>25 Q. Do you know what you meant to 13:37:15</p>	<p style="text-align: right;">Page 708</p> <p>1 Q. Let me ask you now to flip back</p> <p>2 with me to the prior page, which ends in the</p> <p>3 Bates digits 438.</p> <p>4 How, again, did you derive the 97.7</p> <p>5 million dollar figure which appears just below 13:38:43</p> <p>6 the figure for other reserves that we've been</p> <p>7 discussing of 22.5 million dollars?</p> <p>8 A. You're asking on the 97.7 million?</p> <p>9 Q. Yes, how is that figure arrived at?</p> <p>10 A. That's the summation of the 40, the 13:38:56</p> <p>11 75 and the 22.</p> <p>12 Q. The 40, the 75 and the 22?</p> <p>13 A. I'm sorry, I'm adding it as I'm</p> <p>14 going. The 40 -- the 35 and the 22.</p> <p>15 Q. What import did that figure have 13:39:18</p> <p>16 for you, if any, at the time?</p> <p>17 A. Well, the number on the financial</p> <p>18 statements that the client had prepared was 127</p> <p>19 million, the number for allowance for</p> <p>20 uncollectible accounts. 13:39:33</p> <p>21 As part of my assessment, I wanted</p> <p>22 to evaluate if that number should change. So I</p> <p>23 went ahead and went through my own evaluation</p> <p>24 or assessment as to exactly what was, in my</p> <p>25 opinion, sitting in bad debt reserve absent the 13:39:54</p>
<p style="text-align: right;">Page 707</p> <p>1 convey by DVOG and whatever mark appears next</p> <p>2 to it?</p> <p>3 A. Well, my understanding is that the</p> <p>4 majority of the CRA -- the excess CRA sat in</p> <p>5 the Delaware Valley and the amount -- that 13:37:26</p> <p>6 there was a nominal amount at AGH.</p> <p>7 Q. Beneath that parenthetical there's</p> <p>8 another parenthetical on the same row as the</p> <p>9 phrase, "Excess C slash A, 9.8 million." Am I</p> <p>10 right? 13:37:44</p> <p>11 A. Yes.</p> <p>12 Q. C slash A to you means contractual</p> <p>13 allowance?</p> <p>14 A. Yes.</p> <p>15 Q. What does it mean -- what did you 13:37:53</p> <p>16 mean when you wrote .8 million dollars AGH and</p> <p>17 9 million dollars DVOG in that parenthetical?</p> <p>18 A. That was my understanding as the</p> <p>19 source of those two -- of the 9.8. 800,000</p> <p>20 came from AGH. 9.0 came from the Delaware 13:38:13</p> <p>21 Valley.</p> <p>22 Q. This was an understanding derived</p> <p>23 from a conversation with Miss Frazier?</p> <p>24 A. Yes, an earlier conversation during</p> <p>25 the course of the audit. 13:38:24</p>	<p style="text-align: right;">Page 709</p> <p>1 50 million dollars. I came up with roughly 98</p> <p>2 million.</p> <p>3 Then I sat down and I said, okay,</p> <p>4 what other items of import relate to some sort</p> <p>5 of either patient receivable or CRA or other 13:40:09</p> <p>6 third-party issues.</p> <p>7 You can see that there were three</p> <p>8 items listed there which got me to 130 million.</p> <p>9 I'm sitting here saying it's in the ballpark,</p> <p>10 so I would not necessarily have a problem with 13:40:28</p> <p>11 the number 127 being presented on the balance</p> <p>12 sheet.</p> <p>13 Q. The reserves listed below 97.7 have</p> <p>14 these descriptors, am I right, "Graduate,</p> <p>15 deferred rev"? 13:40:46</p> <p>16 A. Yes.</p> <p>17 Q. "14 million dollars"?</p> <p>18 A. Yes.</p> <p>19 Q. Then you've written in the</p> <p>20 corner -- or next to that, rather, in 13:40:49</p> <p>21 parentheses, "QualMed dash DMC, close paren"?</p> <p>22 A. Yes.</p> <p>23 Q. What does that mean, that row?</p> <p>24 A. Well, the deferred revenue on</p> <p>25 Graduate related to a QualMed contract. The 13:41:06</p>

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<p style="text-align: right;">Page 710</p> <p>1 client decided to write the deferred revenue 2 off into income. We disagreed with that 3 treatment. We believed that it belonged on the 4 balance sheet. 5 I believe my staff placed that 14 13:41:23 6 million on the SUD for evaluation as a 7 misapplication or a misstatement, if you will. 8 And the deferred revenue, other people were 9 calling it QualMed within the organization, so 10 I just wrote that down and I wanted to remind 13:41:45 11 myself that this is something I wanted to talk 12 to McConnell about. 13 Q. Did you? 14 A. Yes, I had a brief conversation. I 15 can't say it lasted more than 15 seconds, 13:41:55 16 though, to be honest with you. 17 Q. What did you -- what was said in 18 those very few seconds? 19 A. That basically the QualMed deferred 20 revenue was written off and we didn't think it 13:42:08 21 should be written off. 22 Q. What did he say, if anything? 23 A. I think I also told him we put it 24 on our SUD and he said fine. 25 Q. What do you recall about why you, 13:42:21</p>	<p style="text-align: right;">Page 712</p> <p>1 Q. Do you recall what the obligation 2 was as you sit here today? 3 A. It related to providing services to 4 QualMed on an as needed basis from QualMed, as 5 I recall. 13:43:55 6 The deferred revenue was basically 7 monies paid in advance. I can't remember 8 anything else. 9 Q. The police -- the next row on the 10 schedule that ends with the Bates digits 438 13:44:06 11 says, "police slash fire, 14 million"? 12 A. Yes. 13 Q. That related to the PFMA contract 14 that the Graduate hospitals had entered into? 15 A. Yes. 13:44:20 16 God bless you. 17 Q. How did you learn of that figure or 18 that potential reserve? 19 A. I don't understand your question, 20 sir. 13:44:33 21 Q. How did you get the entry, "police 22 slash fire," from what source? 23 A. Based on discussions with Amy. 24 Q. Did she give you both the topic for 25 the entry and the amount of the entry? 13:44:43</p>
<p style="text-align: right;">Page 711</p> <p>1 C&L, thought the liability should be 2 reinstated, if you recall anything today? 3 MR. RYAN: Objection. 4 A. My general recollection is that 5 this liability was booked or recorded on the 13:42:36 6 financials at Graduate as of June of '96. As 7 we went through due diligence, management 8 looked at it and continued to believe that the 9 liability should stay on the Graduate's 10 financial statements. 13:42:51 11 Then very late in the game, the 12 folks from AHERF management decided to write it 13 off. 14 Our position was twofold. One, if 15 the liability truly did not exist, then it 13:43:08 16 should not go through income, but should be 17 reflected as an element of purchase accounting, 18 so it should not go through the income 19 statement. As a result, we had it on the SUD. 20 Secondly, we were not comfortable 13:43:26 21 that it should be written off because I don't 22 believe we ever -- we were ever given any sort 23 of documentation or what I considered to be a 24 justifiable -- what Amy considered to be a 25 justifiable reason for writing it off. 13:43:41</p>	<p style="text-align: right;">Page 713</p> <p>1 A. No. We had discussions in terms of 2 the fact that the contract -- originally the 3 client had booked an accrual for the contract 4 and then they changed their mind and reversed 5 it. Again, we weren't comfortable that the 13:44:56 6 reversal made sense. So I felt that it was 7 necessary to reflect the liability, if you 8 will, on the financial statements. 9 Q. Did you talk with anyone at AHERF 10 yourself about that reversal? 13:45:16 11 A. I don't recall, no, I don't. 12 Q. Did you talk with anyone but Mr. 13 McConnell for 15 seconds about the Graduate 14 deferred revenue reversal? 15 A. No. 13:45:30 16 Q. The next item is listed as prudent 17 buyer, 5.1 million dollars? 18 A. Yes. 19 Q. Next to it you've written in 20 parentheses, "Is this needed, question mark"? 13:45:40 21 A. Yes. 22 Q. Who is the source for that entry 23 and figure? 24 A. Based on discussions I had with Amy 25 Frazier. 13:45:51</p>

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<p style="text-align: right;">Page 722</p> <p>1 A. Yes.</p> <p>2 Q. What is the figure next to that?</p> <p>3 A. I believe it's 77.1.</p> <p>4 Q. It looks to me as if that figure</p> <p>5 has been altered, at least in my copy, to read 13:54:32</p> <p>6 something that looks closer to 79.1.</p> <p>7 A. That's correct.</p> <p>8 MR. RYAN: Objection.</p> <p>9 A. It could be 77 or 79. My</p> <p>10 recollection is 77, but when I originally wrote 13:54:43</p> <p>11 it I obviously changed it at that time.</p> <p>12 Q. Do you recall changing it to 79.1?</p> <p>13 A. Today I can't remember, but I</p> <p>14 believe it was 77 because that's the math. I</p> <p>15 believe if it's 77, you get down to the 66, but 13:55:03</p> <p>16 --.</p> <p>17 Q. Let me ask it this way. Do you</p> <p>18 have any doubt that you were the person that</p> <p>19 changed it to 79 at some point?</p> <p>20 A. Oh, no, I'm the person that made 13:55:15</p> <p>21 the change.</p> <p>22 Q. Do you recall why you made the</p> <p>23 change?</p> <p>24 A. Because I think I made, dare I say,</p> <p>25 a typo. 13:55:24</p>	<p style="text-align: right;">Page 724</p> <p>1 inpatient/outpatient. Went through age</p> <p>2 buckets, 0 to 30, 30 to 60, similar to what you</p> <p>3 would see on an aging schedule.</p> <p>4 Then went through a calculation of</p> <p>5 what I felt the reserve requirements would be 13:56:50</p> <p>6 by basically using what I would call AGH loss</p> <p>7 percentages or percentages that AGH had used in</p> <p>8 their methodology in previous years or averages</p> <p>9 if those percentages were detailed -- so</p> <p>10 detailed because I didn't have the level of 13:57:08</p> <p>11 detail that the AGH method had. And I came up</p> <p>12 with a number. And that number, I believe, was</p> <p>13 77, but it could have been 79. I can't</p> <p>14 remember. So I had these sheets. I held on to</p> <p>15 those sheets. At the end -- and went through 13:57:24</p> <p>16 this type of exercise out in the field with the</p> <p>17 staff on 439.</p> <p>18 As I left that day, I told Amy that</p> <p>19 I was comfortable with the level of bad debt</p> <p>20 reserve that existed at old AHERF. 13:57:46</p> <p>21 Q. When you left what day, sir?</p> <p>22 A. The day I performed this formula</p> <p>23 review, if you will, on my own.</p> <p>24 Q. Which wasn't the same day as you</p> <p>25 prepared this schedule marked as a part of 13:57:54</p>
<p style="text-align: right;">Page 723</p> <p>1 Q. A hando, perhaps?</p> <p>2 A. Yes.</p> <p>3 Q. What is the formula reserve figure,</p> <p>4 where did you derive it from?</p> <p>5 A. As I indicated, when I was out in 13:55:36</p> <p>6 the field in late August with the engagement</p> <p>7 team, I wanted to go through my own assessment</p> <p>8 of the reserve needs for what I considered to</p> <p>9 be old AHERF and also so that I could</p> <p>10 understand the impact that the client actions 13:55:49</p> <p>11 had on -- numerous client actions and</p> <p>12 receivables on the agings and things of that</p> <p>13 nature.</p> <p>14 So basically I sat down in the</p> <p>15 cubicle and I guess similar to 1997, although 13:56:01</p> <p>16 not as bad, I had them provide me with</p> <p>17 information similar to what Brian had provided</p> <p>18 me in '96.</p> <p>19 I went through my own review of the</p> <p>20 old AHERF aging and basically put together a 13:56:17</p> <p>21 consolidated aging schedule on a sheet of paper</p> <p>22 similar to the tablet you're writing on right</p> <p>23 now, Mr. Jones.</p> <p>24 Q. All right.</p> <p>25 A. Broke it out by 13:56:36</p>	<p style="text-align: right;">Page 725</p> <p>1 Exhibit 4473?</p> <p>2 A. Yes, I think I've testified to</p> <p>3 that, yes.</p> <p>4 Q. It was the same day?</p> <p>5 A. It was not the same day. 13:58:01</p> <p>6 Q. All right, thank you, go ahead.</p> <p>7 How far in advance?</p> <p>8 A. It could have been three weeks to a</p> <p>9 month.</p> <p>10 So I told Amy that I had reached a 13:58:14</p> <p>11 conclusion that the reserves for old AHERF</p> <p>12 based on my assessment, the reserves were</p> <p>13 adequate, and that the 50 million dollar issue</p> <p>14 was really a transfer of reserve issue problem</p> <p>15 and not an issue of reserve and adequacy at old 13:58:32</p> <p>16 AHERF, if you will, or something that could</p> <p>17 impact the income statement.</p> <p>18 And I took -- I had the underlying</p> <p>19 information, my notes, if you will, in my</p> <p>20 folder, AHERF folder. And when it came time 13:58:52</p> <p>21 for me to prepare for the audit committee</p> <p>22 meeting and collect vital information or</p> <p>23 information I felt was vital in case of</p> <p>24 questions from the audit committee, I took that</p> <p>25 information, sat down and attempted to 13:59:05</p>

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<p style="text-align: right;">Page 726</p> <p>1 summarize it. I summarized it basically on 2 this sheet of paper that you see here. 3 Q. Which is page 439? 4 A. 439. 5 So the formula reserve is really 13:59:15 6 one number that is -- that would summarize 7 probably five, six, seven detailed pages of 8 work that I had done in terms of just looking 9 at aging schedules and things of that nature. 10 Q. Do you have those sheets or pages 13:59:33 11 anymore, sir? 12 A. No, I do not. 13 Q. Do you know whether they have ever 14 been made available to either my law firm or 15 the SEC? 13:59:44 16 MR. RYAN: Objection. 17 A. No. I know they have not because 18 I, quite frankly, I pitched them once I 19 prepared this schedule. I felt that I never 20 had a need for them. 13:59:53 21 Q. Let me ask you to tell me, if I'm 22 right, in the way that I read the next row on 23 this schedule. It says, "IBC slash Oxford." 24 Then I can't read the next word. 25 A. "HMO." 14:00:09</p>	<p style="text-align: right;">Page 728</p> <p>1 Philadelphia office by the name of Glenn 2 Schively. And I asked Mr. Schively if he had 3 heard any stories about either Independence 4 Blue Cross or Oxford being very slow to pay in 5 terms of patient claims with healthcare 14:01:38 6 providers. He told me that he had, that it was 7 apparently a comment that a number of his -- a 8 number of his Philadelphia clients had. 9 Mr. McConnell also told me at 10 another meeting that AHERF management was 14:01:51 11 considering some sort of global settlement, if 12 they could reach one, with either Oxford or 13 Independence Blue Cross. I believe his 14 comments were geared more towards Oxford than 15 IBC, but that's my recollection today. 14:02:09 16 Basically that they were going to 17 go to the third-party payors and say, look, you 18 owe us a certain sum of money. We're running 19 into a lot of problems with detailed claims. 20 Why don't we try to negotiate some sort of 14:02:23 21 overall settlement on those detailed claims to 22 arrive at an amount that we could be paid and 23 basically we would provide some sort of 24 discount. 25 So based on that information, I 14:02:35</p>
<p style="text-align: right;">Page 727</p> <p>1 Q. Then beneath that, "cash flow"? 2 A. Yes. 3 Q. And then the figure 9.0 million 4 dollars in brackets? 5 A. Yes 14:00:18 6 Q. What does that entry refer to? 7 A. Well, based on my discussions with 8 AHERF management, specifically McConnell, I 9 guess, I had heard comments periodically that 10 both IBC, Independence Blue Cross, as well as 14:00:36 11 Oxford Health, which is an HMO, were being 12 difficult in terms of reimbursement of AHERF 13 claims in the eastern portion of the state and 14 that it was his sense that they were using 15 AHERF as a means of improving their own cash 14:00:58 16 flow, simply slowing down payment. 17 Q. Did you -- I'm sorry, did you hear 18 this from any other source besides Mr. 19 McConnell? 20 A. Well, that's what I was going to 14:01:09 21 get to. 22 Q. Okay. Then go ahead. 23 A. So what I did at some point during 24 the later phases of the '97 audit, I remember 25 running into a healthcare partner in the 14:01:22</p>	<p style="text-align: right;">Page 729</p> <p>1 took a look at the aging, if you will, 2 schedules that I had put together, tried to 3 pull out Independence, Blue Cross and Oxford. 4 And based on the agings that I had seen, a lot 5 of receivables were being reserved at 75 14:02:53 6 percent. 7 So I basically said, well, if 8 they're going to go through this global 9 settlement and we know that they're slow in 10 terms of their overall pay, reserving them at 14:03:04 11 75 percent really doesn't make sense, in my 12 formula, so I'm going to reduce that to 30 13 percent. And that's the impact of that change 14 in loss reserve, if you will, is the 9 million 15 dollars. 14:03:18 16 Q. That's reflected, at least in part, 17 on the same row where you've written 30 percent 18 versus 75 percent? 19 A. Yes. Yes. 20 Q. The next row is unapplied -- do 14:03:27 21 these conversations with Mr. McConnell and 22 Mr. Schively all predate your writing these 23 notes on page 439? 24 A. Yes. 25 The conversations with McConnell on 14:03:41</p>

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<p>Page 730</p> <p>1 the Oxford Health would be both before and 2 after my preparation of this document. 3 Q. All right. 4 A. Because I believe that topic also 5 came up at the October audit committee meeting. 14:03:53 6 Q. On unapplied cash, you have a 7 figure of 1.9 million dollars in brackets and a 8 parenthetical next to it of 3.8 million at 50 9 percent? 10 A. Yes. 14:04:07 11 Q. What does that entry mean? 12 A. The unapplied cash that existed 13 within the old AHERF system at the end of 1997 14 was about 3.8 million dollars. So I simply 15 provided -- took a 50 percent factor and said 14:04:22 16 that some portion of this unapplied cash 17 relates to receivables that I'm establishing a 18 reserve on and those receivables have already 19 been paid, so it's inappropriate to establish a 20 reserve on paid receivables. 14:04:37 21 So I reduced my reserve projection 22 or requirement by 1.9 million dollars. 23 Q. So the 9 million and the 1.9 24 million both act to reduce the reserve 25 projection you had calculated? 14:04:51</p>	<p>Page 732</p> <p>1 given me a number. 2 Q. The staff person here is Miss 3 Frazier? 4 A. It probably was Amy. I can't 5 remember exactly. 14:05:48 6 Q. So that leaves you with a 7 difference there of 88.3 million dollars, which 8 is the next figure? 9 A. Yes. 10 Q. And then you've got a reserve item 14:05:56 11 of 58.0 million dollars, which appears just 12 below the 88.3 million? 13 A. Yes. 14 Q. What does that -- what is that 15 intended to reflect? 14:06:07 16 A. That's my assessment of the 17 reserves for bad debt, reserves sitting on the 18 balance sheet designated for bad debt. And the 19 makeup of that is right above. It's the 57.7 20 that we had talked about earlier. 14:06:23 21 Q. Which enterprises is that reserve 22 drawn from? 23 A. Old AHERF. 24 Q. Then you've got a net of 30.3 25 million dollars? 14:06:29</p>
<p>Page 731</p> <p>1 A. Yes. 2 Q. That left you with the next row, 3 which reads, "Needed, 66.2 million dollars"? 4 A. Yes. 5 Q. That's just a mathematical 14:04:58 6 difference? 7 A. Correct. 8 Q. We've talked about the middle 9 portion of the page, I believe, a few moments 10 ago. Am I right? 14:05:08 11 A. Yes. 12 Q. The bottom portion of the page is 13 another schedule that starts with the line -- 14 or the row, rather, "Old slash A slash R, 239.1 15 million dollars." Is that right? 14:05:27 16 A. Correct. 17 Q. That's a bring-down from the top of 18 the page as we've defined it today? 19 A. Yes. 20 Q. Then it says, "Collections, 150.8 14:05:31 21 million." 22 A. Yes. 23 Q. What does that line represent? 24 A. Subsequent collections as of a 25 specific date that the staff -- the staff had 14:05:41</p>	<p>Page 733</p> <p>1 A. Yes. 2 Q. Then it says, "To be collected 3 SEPT"? 4 A. Yes. 5 Q. What does that mean? 14:06:36 6 A. To be collected dash September. I 7 don't know exactly why I wrote that there, but 8 it's there. 9 Q. Did you ever come to learn that you 10 made a mistake by listing the 58 million dollar 14:06:47 11 reserve there where it is listed on the page? 12 A. The calculation is wrong. It's a 13 mistake. 14 Q. Why is it? 15 A. Well, the old AHERF number of 239 14:07:02 16 is net of the bad debt reserve, so I'm 17 basically taking a reserve out twice. So it's 18 just wrong. 19 Q. What should be the figure that you 20 arrive at, the accurate figure? 14:07:15 21 A. It would be closer to 90 million 22 dollars. Or somewhere around there. I'm 23 just -- 24 Q. What -- 25 A. I'm just estimating. But somewhere 14:07:24</p>

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<p style="text-align: right;">Page 778</p> <p>1 Q. Do you recall that attached -- as 2 an attachment to this cover e-mail was a 3 schedule that follows in the exhibit? 4 A. I believe that was the case. 5 Q. So is it your best testimony then 15:22:22 6 today that the first time you saw both the 7 cover e-mail and its accompanying three-page 8 schedule was on July 3rd, 1998, the day before 9 Independence Day? 10 A. At 6:33 in the morning. 15:22:38 11 Yes. I don't remember exactly when 12 I saw it, but if she sent it on the 3rd, I 13 probably would have gotten it on the 3rd or at 14 some point in time closely thereafter, yes. 15 Q. You would have looked at it within 15:22:56 16 a day or two of having received it is your best 17 recollection? 18 A. Yes, yes. 19 Q. Mr. Buettner, she has written, 20 "Attached is the A slash R reserve 15:23:09 21 reconciliation that we walked through the other 22 day." 23 A. M-hm. 24 Q. I read that sentence accurately? 25 A. Yes. 15:23:18</p>	<p style="text-align: right;">Page 780</p> <p>1 work papers, let me know and tell me where I 2 screwed up. 3 I don't know if that's what she's 4 making reference to or if we looked at this 5 thing and then she went back and was continuing 15:24:48 6 on her work. I just can't remember. 7 Q. Do you recall, though, having the 8 conversation to the effect of go forward from 9 here and tell me where I screwed up with her at 10 some point? 15:25:01 11 A. Oh, yes. 12 MR. RYAN: Objection. 13 A. Clearly. Clearly I had a 14 conversation with her. She did not do this all 15 on her own. She did this at my request. 15:25:07 16 Q. That request was borne of some sort 17 of discussion you had with other individuals 18 before the time Miss Frazier was so tasked? 19 MR. RYAN: Objection. 20 Q. Let me withdraw it because -- 15:25:28 21 A. Yes. 22 Q. -- although I think it's phrased 23 appropriately, it may be confusing, so let me 24 try again. 25 A. Sure. 15:25:34</p>
<p style="text-align: right;">Page 779</p> <p>1 Q. Is this something -- did you have 2 the actual typed schedule that is a part of 3 Exhibit 1078 with you in a meeting with Miss 4 Frazier before July 3rd, 1998, or is her 5 reference to a walk-through a reference to 15:23:33 6 something else in your view? 7 A. I cannot remember. As I recall, I 8 asked Amy to go through and go through some 9 sort of herself -- go through an assessment on 10 her own of reserve adequacy for old AHERF as of 15:23:48 11 June 30, 1997 based on her knowledge of the 12 organization and the fact that she had overseen 13 receivables and if she could go through an 14 assessment in the same format, if you will, as 15 the one I had prepared. As you recall, I had 15:24:13 16 testified that I had shown her generally how my 17 assessment worked. 18 So I don't know if she's making 19 reference to the reconciliation that we walked 20 through the other day, if that's the one where 15:24:26 21 I prepared and we were just sitting down and 22 saying, look, I would like you to go through 23 this. I want you to go through your own 24 assessment. I'm not going to give you a copy 25 of it. Go ahead out and take a look at the 15:24:37</p>	<p style="text-align: right;">Page 781</p> <p>1 Q. Why is it that you tasked Miss 2 Frazier as you just mentioned? 3 A. Well, at -- I believe I testified 4 to this already. There was an audit committee 5 meeting in June that I attended. I believe 15:25:47 6 Mr. Testoni attended that meeting with me. 7 While at that meeting, there was a 8 question that came up concerning the existence 9 of 99 million dollars of reserves that had been 10 transferred or utilized in the calculation of 15:26:08 11 bad debt reserves for old AHERF, as I recall. 12 Someone on the audit committee 13 asked me if I knew anything about it or what I 14 knew about it. 15 Q. Who was that person on the audit 15:26:25 16 committee? 17 A. I can't remember who it was. It 18 might have been Harry Edleman, but I just can't 19 remember at this point in time. 20 Q. The meeting again was in June of 15:26:37 21 '98? 22 A. Yes, sir. 23 Q. Can you fix it any more precisely 24 in time? 25 A. Well, we had a report that we 15:26:42</p>

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<p style="text-align: right;">Page 782</p> <p>1 delivered to the audit committee. So it would 2 have been whatever date the report specified 3 would have been the date of the meeting. 4 Q. Did you try to date your report the 5 date of the meeting? 15:26:56 6 A. In that particular case, yes, we 7 did. It may have been the 12th or thereabouts. 8 Q. That is roughly consistent with 9 some recollection I'm having, so Mr. Torborg is 10 helping us find a document that may be helpful 15:27:09 11 to us, hence the rattle and hum. 12 A. But if I can continue. 13 So we had the meeting. I got this 14 question. I didn't know anything about it. At 15 the end of the meeting, I believe I ran into 15:27:24 16 Adamczak in the hallway. 17 Q. Mr. Al Adamczak? 18 A. Yes. And I believe McConnell and 19 Dionisio was there as well. I asked a 20 straight-forward question of what were they 15:27:41 21 talking about. Adamczak said I'll fax you 22 something this afternoon or tomorrow morning. 23 Q. Can I ask you just to back up with 24 me and then we'll come back for a moment? 25 A. Yes. 15:27:54</p>	<p style="text-align: right;">Page 784</p> <p>1 our concern over -- our concern over the 2 financial stability of the AHERF system and the 3 possibility that we may have to give a going 4 concern for the 1998 audit, as well as the fact 5 that there were a number of initiatives that 15:29:16 6 were underway that we had been asked to review 7 by the AHERF audit committee and we hadn't 8 received the information from management. 9 MR. JONES: Deferentially, I move 10 to strike the balance of the answer after the 15:29:32 11 word no. 12 Q. Mr. Buettner, let me take you now 13 to the conversation you started to tell me 14 about with Mr. Adamczak. 15 At that point, could you tell me 15:29:43 16 what he said to you? 17 A. I think I told you already, he said 18 he would fax me something or send it to me that 19 night or the next morning. 20 Q. And did you have any more 15:29:56 21 conversation with him or Mr. McConnell at that 22 point on the topic? 23 A. No. 24 Q. Any more conversation with any 25 audit committee member leaving the meeting at 15:30:05</p>
<p style="text-align: right;">Page 783</p> <p>1 Q. Was there any more conversation at 2 the audit committee meeting about this reserve 3 transfer issue other than an inquiry from 4 Mr. Edleman in roughly the way you phrased it? 5 A. Not while I was in the room or 15:28:06 6 Mr. Testoni was in the room, I don't believe 7 so. I don't recall. 8 Q. What was your response when you 9 were queried the way you've just mentioned? 10 A. I told him I didn't know what he 15:28:14 11 was asking -- what he was talking about, what 12 he was asking me to opine on. I simply didn't 13 know what he was talking about. 14 Q. Did you share with him and the rest 15 of the audit committee then that you were aware 15:28:26 16 of 50 million dollars of reserve transfers? 17 A. No, because there were a variety of 18 questions being asked at that meeting by the 19 audit committee members of us, us being 20 Mr. Testoni and myself, as well as AHERF 15:28:43 21 management. 22 We had prepared a report that we 23 were trying to review with the members of the 24 Committee. 25 The key points in that report were 15:28:56</p>	<p style="text-align: right;">Page 785</p> <p>1 that point? 2 A. No, the meeting was ongoing when 3 Mr. Testoni and I left. 4 Q. Did you receive anything by way of 5 fax? 15:30:16 6 A. Yes, he sent a two or three-page 7 fax to me. 8 Q. What did that contain, if you 9 recall today? 10 A. I believe it was a memo to Sheriff 15:30:26 11 Abdelhak just outlining 99 million dollars of 12 reserves that were transferred from various 13 Graduate entities to the Delaware Valley. 14 Q. Do you recall whether it was dated 15 close in time to this June 12, 1998 meeting? 15:30:49 16 A. I can't remember. I can't 17 remember. 18 Q. Is that then what prompted you to 19 ask Miss Frazier to undertake the analysis or 20 the reconciliation that is reflected in Exhibit 15:31:07 21 1078? 22 A. Yes. 23 Q. This two or three-page memo 24 revealed to you that there were, or at least 25 the memo depicted reserve transfers beyond the 15:31:23</p>

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<p style="text-align: right;">Page 786</p> <p>1 50 million of which you were already aware?</p> <p>2 A. Well, that was the -- one of the</p> <p>3 questions we had. We couldn't tell if this was</p> <p>4 inclusive of the 50, exclusive of the 50.</p> <p>5 The way Mr. Adamczak described it, 15:31:40</p> <p>6 we were confused as to exactly what this</p> <p>7 information meant.</p> <p>8 Q. In any event, you knew from the</p> <p>9 memo that somebody believed some amount of</p> <p>10 reserve transfers had gone from the Graduate 15:31:55</p> <p>11 hospitals to the Delaware Valley obligated</p> <p>12 hospitals in an amount in excess of 50 million.</p> <p>13 Is that fair to say?</p> <p>14 A. Yes, yes.</p> <p>15 MR. JONES: Let's take our break 15:32:07</p> <p>16 here.</p> <p>17 Q. Before we do that, before we go off</p> <p>18 the record, was that the first time you were</p> <p>19 made aware of the potential that reserve</p> <p>20 transfers in excess of the 50 million of which 15:32:17</p> <p>21 you were aware in late July or early August</p> <p>22 1997 had taken place?</p> <p>23 A. You're going to have to repeat</p> <p>24 that. I'm sorry.</p> <p>25 Q. We can have it read back. 15:32:32</p>	<p style="text-align: right;">Page 788</p> <p>1 sitting down and talking to her and before</p> <p>2 talking to her just going through her overall</p> <p>3 assessment and then sitting down and evaluating</p> <p>4 that versus my own assessment and concluding</p> <p>5 that my original assessment was, in my opinion, 15:49:06</p> <p>6 reasonable. And that her work basically</p> <p>7 confirmed the fact that what I had done, based</p> <p>8 on the information given to me, was a</p> <p>9 reasonable analysis.</p> <p>10 Q. Do you recall coming to any 15:49:27</p> <p>11 different conclusion after talking with her?</p> <p>12 A. No.</p> <p>13 Q. When you say you reviewed her</p> <p>14 assessment, you mean you reviewed the schedules</p> <p>15 that are a part of Exhibit 1078? 15:49:34</p> <p>16 A. Yes, yes. I spoke to her about her</p> <p>17 approach and obviously there were differences</p> <p>18 in her computation versus mine, but I would</p> <p>19 expect that. But at the end of the day, the</p> <p>20 overall needs analysis I felt was pretty 15:49:51</p> <p>21 consistent.</p> <p>22 Q. Did you talk about any -- with her</p> <p>23 about any particular differences that you</p> <p>24 wanted to understand?</p> <p>25 A. No, I didn't go down item by item 15:50:02</p>
<p style="text-align: right;">Page 787</p> <p>1 THE WITNESS: Could you read it</p> <p>2 back, please?</p> <p>3</p> <p>4 (Record read.)</p> <p>5 A. Yes, that's the first time that I 15:32:53</p> <p>6 was aware of something greater than 50 million</p> <p>7 dollars.</p> <p>8 MR. JONES: Let's take a break</p> <p>9 here.</p> <p>10 THE VIDEOGRAPHER: Going off the 15:32:59</p> <p>11 record at 3:33.</p> <p>12 (Recess had.)</p> <p>13 THE VIDEOGRAPHER: We're back on</p> <p>14 the record at 3:48.</p> <p>15 Q. Mr. Buettner, did you, upon receipt 15:48:13</p> <p>16 of Miss Frazier's e-mail and its attached</p> <p>17 schedule, which have been marked now in this</p> <p>18 case as Exhibit 1078, meet with her about her</p> <p>19 schedule or talk with her about the contents of</p> <p>20 her schedule? 15:48:36</p> <p>21 A. Yes, I did.</p> <p>22 Q. How shortly after July 3rd do you</p> <p>23 think that occurred, or do you know that it</p> <p>24 occurred on July 3rd?</p> <p>25 A. I don't remember. I remember 15:48:47</p>	<p style="text-align: right;">Page 789</p> <p>1 or look at certain areas that she might have,</p> <p>2 you know, different theories on.</p> <p>3 I was looking for some sort of</p> <p>4 either confirmation or disagreement over what</p> <p>5 would be the overall required reserve, or 15:50:26</p> <p>6 suggested reserve elements at AHERF, old AHERF,</p> <p>7 as of June of '97.</p> <p>8 The analysis ended up with some</p> <p>9 sort of comparable conclusion. I mean, they</p> <p>10 weren't exactly the same numbers. I wouldn't 15:50:45</p> <p>11 expect that. But I sat here and I clearly, by</p> <p>12 looking at her assessment and looking at my</p> <p>13 assessment, it didn't give the answer or any</p> <p>14 type of insight into why I asked her to do this</p> <p>15 original project, which was the discussion or 15:51:03</p> <p>16 the question and this memo from Mr. Adamczak on</p> <p>17 the 99 million dollars.</p> <p>18 Q. Did you ever come to the conclusion</p> <p>19 that any portion of Miss Frazier's analysis was</p> <p>20 wrong? 15:51:21</p> <p>21 A. No, I didn't spend a great deal of</p> <p>22 time auditing it, if you will. I looked at it.</p> <p>23 I gained an understanding based on my</p> <p>24 discussions with her and concluded that it was</p> <p>25 close enough or approximated -- her conclusions 15:51:37</p>

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